

REMARKS

OF

HON. J. ELLIS BONHAM,

ON THE

BANK QUESTION,

TOGETHER WITH

GOVERNOR BIGLER'S VETO ON THE BANK BILLS,

AND THE

DEBATE ON THE SAME.



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HON. J. ELLIS BONHAM

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GOVERNOR HON. J. ELLIS BONHAM

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## REMARKS OF MR. BONHAM

ON THE

# BILL TO RECHARTER THE EASTON BANK.

Mr. BONHAM offered an amendment reducing the capital stock of the bank to \$200,000, and prohibiting the issue of notes by the bank of a less denomination than ten dollars.

Mr. SPEAKER, owing to a severe domestic bereavement I feel to much unnerved, sir, to enter into a discussion of the subject under consideration by the House, and were it not that I am constrained by a solemn sense of responsibility as a representative of the people on this floor, to express my views on the question submitted in the amendment pending, I should abstain at this time from so doing. The subject now under consideration is the most important one that has engaged the attention of the Legislature at its present session, and, I may add, the most important that has engaged the attention of any Legislature of the Commonwealth, since the organization of her government. I refer to the increase of the banking capital of the State and the spread of the American system of banking among us, necessarily superinduced by that increase.

I am well aware, sir, that the friends of this bill look upon the amendment which I have just submitted as a hostile movement, and would consider its adoption as equivalent to a rejection of their application. But I can say most sincerely, that in offering this amendment I am actuated by no feelings of hostility to this particular institution, for I entertain none—and I have said before what I repeat now, that I look upon the application of this bank for banking privileges, as the most meritorious one that has been made to the present Legislature, and that if a bank charter is to be granted during this session it should be granted to the Easton Bank—for I have always looked upon it as one of the best regulated banking institutions in the Commonwealth.

In submitting my views, therefore, on this bill, I shall address my remarks not so much to the bill itself, as to the subject matter generally to which the bill and the pending amendment relate; and I have taken the occasion of the calling up of this bill to express my views on this subject, for the reason that this bank is a well regulated institution and excites less opposition to its passage on that account. I have taken the occasion of the calling up of this bill to express my sentiments in relation to this subject for the additional reason, that this in-

stitution has always been under the management and control of gentlemen connected with the Democratic party—in order to convince our Whig friends on the other side of the House, that those who entertain views similar to my own on this subject, are not actuated by any personal or party motives, or opposed to the charter of banking institutions, because they happen to be generally under the control of gentlemen belonging to the Whig party, but on account of the inherent and radical defects of the system itself, which, however it may be bound down, restrained and controlled by legal enactments, has shown that it is too strong for the law, the government and the people.

It may be inquired on what ground I propose this amendment, or how it can be pertinent in relation to the question of the increase of the banking capital of the State, since this bank has already a capital of \$400,000, the same amount as is contained in this bill. It is well recollected, sir, that the friends of this bank made application for its re-charter at the last session of the Legislature, and that they presented petitions favoring its application, which are not withdrawn, but are still on file in the archives of this House, setting forth among other things, that this bank had an abundance of capital to supply the wants of the section of country in which it was located. The application was rejected, and another institution, the Farmers' and Mechanics' Bank, was chartered in its room and stead, to be located in the same place, with a capital of \$300,000 and the privilege of increasing it to \$400,000 the same in amount as that of the old Easton Bank. Now, sir, with the question of the propriety of granting that charter we have nothing to do on the present occasion; I voted against it, and would have been much gratified to have seen it defeated, as I felt more friendly to the old institution than the proposed new one. But the Legislature saw proper in its wisdom to grant that charter, and the re-charter of this institution was afterwards defeated on the ground that by passing the bill the banking capital of that region of the State would not only be increased, but actually doubled. The same difficulty again presents itself to the consideration of this Legislature, except with much greater force, as we have but the other day passed a bill chartering the Mauch Chunk Bank, which will supply



a region of country with bank accommodations formerly supplied by the institution now claiming its re-charter.

Mr. LILLY.—The gentleman from Cumberland is mistaken. The people of Carbon county have generally been accommodated by the Philadelphia banks, and those of New Jersey.

Mr. BONHAM.—Well, it may be so; but I thought that region must be dependent upon the Easton Bank, judging from the petitions presented from the gentleman's (Mr. Lilly's) county, in favor of the recharter of this institution. I presume that must have been produced by some magnetic influence, some sympathy between the people of the two counties, in these kindred applications. But in addition, sir, there is also an application from Lehigh county for a bank to be located at Allentown, in that immediate neighborhood, which bill has passed the Senate, and from present indications will also pass this House. No bank was in existence at Allentown when the Easton Bank presented her petitions last winter, stating that she had sufficient capital for the wants of that region of country.

But, sir, I will proceed to the consideration of our system of banking, the great fungus which hangs out with unnatural distortions upon the body politic. Bad as it is, it will be permanently fastened upon us, unless the public mind can be aroused to a true sense of the danger. To effect that we must resist its increase. It is a system which cannot be reconciled with the terms of the constitution of the United States. By that instrument no State shall coin money or emit bills of credit. Why? Because the framers of the constitution knew the dangers incident to the exercise of this high prerogative of sovereignty. They had witnessed its evil effects in the issue of provincial and continental paper money—they therefore vested the power of controlling the currency in the national government alone. They not only prohibited the States from coining money and emitting bills of credit, but they also forbade their making anything but gold and silver coin a tender in the payment of debts. The States suffer and authorize others to do what they are prohibited from doing themselves. But they should be held responsible. The rule of law on this subject is, *qui facit per alium, facit per se*. But it is evaded by saying that the States do not authorize or permit the issue of bills of credit—that a bank note is not a bill of credit, because in contemplation of law there is always coin to redeem the notes issued. That is mere theory, however, a mere legal fiction, contrary to acknowledged facts, as under the best regulated system of banking as practiced in this country, the banks are permitted to issue three times as much paper as they have coin to redeem the notes issued. They often issue far more than that in proportion to the amount of coin on hand—so that in the end we must come round to the conclusion that the issue of their notes is not based on coin, but to a great degree on the credit of the bank itself, on the ultimate

capacity of the bank to redeem its liabilities.

The national government, from motives of elevated wisdom and sound policy, claimed for itself the regulation of the currency of the country in the constitution, the charter of its existence. This was the policy of the men who framed that instrument. They were opposed to a paper currency, because they had seen its evils. They were opposed to a surrender of an attribute of the highest sovereignty belonging to a sovereign State, because they knew the dangerous purposes for which it would be employed. The power to regulate the currency of any country is a tremendous power. By the expansion of the currency property may be raised in price, by its contraction property may be lowered in price, to suit the views of those who have this power in their hands. A dollar to-day may be worth as much as a dollar and a half to-morrow, and the reverse. Hence the opposition of the fathers of the country to a paper currency. On this subject, sir, my opinions are not peculiar.

Mr. Webster said in the debate in Congress in 1816, on the bill to charter the National Bank when he was in the freshness of youth, and before he had been converted by the blandishments of the bank power, that "It was a mistaken idea that we were about to reform the national currency. No nation had a better currency than the United States—there was no nation which had guarded its currency with more care; for the framers of the constitution, and those who enacted the early statutes on this subject, were *hard money men*. They had felt and therefore duly appreciated the evils of a paper medium; they therefore sedulously guarded the currency of the United States from debasement. The legal currency of the United States was *gold and silver coin*." And he might have added, sir, that the *illegal* currency, tolerated by custom, in the United States, is the paper medium, issued by the banking institutions of the country.

The bank mania has been renewed again, sir, in Pennsylvania, and it will be a matter of surprise for the people of the Commonwealth to learn the vast number of applications which have been made to this Legislature, for banking privileges, as well as the vast amount of proposed increase of banking capital. There are bills now on file in this House and in the Senate, together with those applications which have been advertised in the newspapers, in accordance with the requirements of the Constitution, which may yet be brought before the Legislature, for the charter of twenty-eight banks of issue, and one bill for the establishment of a system of free banking, making in all a proposed increase of banking capital of better than twenty-one millions of dollars—besides the applications for banks of deposit, with discounting privileges.

The following is a list of the banks proposed to be chartered, which I have carefully collected from the files of the two Houses, and obtained



from the advertisements, together with capital asked for each:

Anthracite Bank of Tamaqua,	\$200,000
Richmond Bank, Philadelphia,	500,000
Farmers' and Mechanics' Bank, Carlisle,	\$100,000
Valley Bank of Monongahela,	100,000
Mauch Chunk Bank,	100,000
Spring Garden Bank, Philadelphia,	250,000
Blair County Bank, Hollidaysburg,	300,000
Farmers' & Mechanics' Bank, Allentown,	150,000
Bank of Fayette County,	100,000
Kittanning Bank, (State stock security,)	200,000
Southwark Bank, for an increase of capital	150,000
Kensington Bank, Philadelphia,	250,000
Bank of Commerce, "	250,000
Mechanics' Bank, "	200,000
Schuylkill Bank, " (renewal of charter,)	1,000,000
Easton Bank at Easton, (renewal of charter,)	400,000
Brie City Bank,	200,000
Warren County Bank,	100,000
Farmers' and Mechanics' Bank, at Phoenixville,	200,000
Bank of Pottstown, Montgomery county,	150,000
Hanover Savings Institution, York "	100,000
Commercial Bank of Pittsburg,	300,000
Bank of New Castle, Lawrence county,	100,000
Clinton County Bank,	100,000
Meadville Bank,	100,000
Farmers' and Traders' Bank, Northern Liberties,	300,000
Farmers' and Miners' Bank, Allegheny county,	200,000
Bill for a system of general Banking, allowing a banking capital of	15,000,000
	<hr/>
	\$21,100,000
For Banks of Deposit, with discounting privileges, expanding the banking capital of other institutions, there are the following applications:	
Mechanics' Savings' Institution, Harrisburg,	50,000
Allentown Savings' Institution,	100,000
	<hr/>
Grand total,	\$21,250,000

Making in all the enormous amount of twenty-one millions two hundred and fifty thousand dollars, which asks to be clothed with the peculiar privileges conferred by the modern system of banking.

We may well stop to enquire the motive which induces so many applications for bank charters, and the great desire to invest capital in this peculiar business. It is to be found in the large profits derived from investments of this character. The dividends declared by banking institutions range far higher than can be obtained for the employment of the same amount of capital in almost any other kind of business. The profits of the banking institutions of the State are enormous. On this subject I find the following facts stated in the Philadelphia Ledger under date of January 7, 1852.

"The Bank of North America, yesterday declared a semi-annual dividend of ten per cent.—This very large dividend is unfortunately timed, as it will make the applicants for new banks more clamorous than ever. The business of banking generally has been remarkably good for the past

two or three years, and that of the Bank of North America particularly. It has a capital of a million of dollars, on which it does an active business of about three millions of dollars. That is to say, on one million of dollars invested by the owners of the bank, it lends three millions on bills receivable, paying six per cent. interest, thus realizing annually one hundred and eighty thousand dollars, on a capital that at legal interest would yield but sixty thousand dollars. The North America is a well managed institution, sustains few losses, and we believe is worthy of the large credit that it enjoys. We only item the facts mentioned to show what the privilege of using paper money costs the public, and to prepare the Legislature with a fact to put in the mouths of bank applicants when urging "public convenience," as the ground of their applications."

The Bank of North America, which is the oldest bank in the country, having been first chartered at the session of the Legislature of 1781–2, has always been in the enjoyment of large dividends. In 1792 she declared a dividend of fifteen per cent., in 1793, thirteen and a half per cent.—and from 1794 to 1799 inclusive, twelve per centum per annum. From 1792 to 1808, the Bank of Pennsylvania never declared less than eight per cent., and sometimes as high as ten per cent. The dividends of the old Bank of the United States were from 7½ per cent. to 10 per cent. Dr. Bollman, writing in 1810, says: "none of the banks divide less than eight per cent., and some of them much more." The average dividends now of the country banks are about eight per cent., and those of the city of Philadelphia, from ten to twenty per cent. I have an indistinct recollection of seeing, that the Southwark Bank which is now applying for \$150,000 increase of capital, divided more than twenty per cent. within the last twelve months.

Mr. MADEIRA (of Franklin) enquired whether such dividends were declared semi-annually, or for twelve months, as he did not hear the gentleman from Cumberland distinctly.

Mr. BONHAM. I have stated that they were for twelve months—and will state in addition that such dividends can never be made in legitimate business, and ought never to be made by the lender of money. Such a traffic will eat up any community. The dividends of this particular bank now asking for a re-charter in this bill, have been as high as twelve per cent. for a number of years. There is but thirty-five dollars per share paid in, and the stock is worth seventy dollars in the market.

But beside these immense profits, the banks expend large sums of money in building expensive banking houses, and in paying the salaries of their respective officers, attorneys, and dependants. How are all these profits made and these heavy expenses borne? Why, sir, they draw interest upon their debts, instead of paying interest. They issue their own promises to pay, and get in exchange the promises or obligations of responsible men, and get six per cent. interest for the difference, by reason of the privileges conferred upon them by the government, of having their promises to pay considered as money. They discount paper to three



times the amount of the capital paid in, and draw interest on the whole. They charge interest for sixty-four days on loans for sixty-three days. That is their custom. They get the interest in advance, which gives them the advantage of the interest on the interest. The interest at this rate amounts to six and four-tenths per cent. instead of six per cent.

Mr. Calhoun stated in a speech delivered in Congress on the 26th February, 1816, on the bill to charter a National Bank, when the whole subject of a paper currency was fully canvassed, "that according to estimation there are in circulation within the United States, two hundred millions of dollars of bank notes, credits and bank paper in one shape or other. Supposing thirty millions of these to be in the possession of the banks themselves, there were perhaps one hundred and seventy-five millions actually in circulation, or on which they draw interest, while there were not, according to estimation, in the vaults of all the banks, more than fifteen million of specie."

Mr. Webster said in the same debate, "The banks are making extravagant profits out of the present state of things, which ought to be curtailed. He referred for illustration of this point, to the state of the Bank of Pennsylvania, as exhibited in the return to the Legislature of that State, which with a capital stock of \$2,500,000, had done a discount business of \$4,133,000, at the same time that it held \$1,811,000 of the U. States stocks—so that, without taking into account a mass of treasury notes, real estate, &c., that bank was receiving interest on six and a half millions, nearly three times the amount of its capital. That bank had been pronounced by the Legislature to be in "a flourishing state." It was so to the stockholders in the bank he doubted not."

According to a statement made by Albert Gallatin there were in this State thirty-one chartered banks in 1829, with a nominal capital of \$12,032,000. One million three hundred and ten thousand dollars of this amount was invested in real estate, and four millions six hundred and twenty thousand in stocks of various descriptions, leaving the banks \$6,102,000 to employ in discounting notes. From the \$5,930,000 invested in stocks and real estate, it is to be presumed they derived as much advantage as private persons derive from similar investments. With the remaining \$6,102,000 they discounted notes to the amount of \$17,526,000, and on this they drew six and four-tenths per cent. The revenue which private capitalists would derive from lending \$6,102,000 at the legal rate of six per cent. would be \$366,120 per annum. The revenue which the banks derive from the management of this amount is \$1,121,664. Thus they drew from the people at that time \$755,544 per annum more than would have been drawn by private persons, lending *bona fide* capital of the same amount as the nominal capital of the banks. From 1829 to this period, at this rate, the people of Pennsylvania have paid to the banks of this State over and above six per

cent. on their loanable capital \$17,377,512—and that by virtue of their chartered privileges.—From the great increase of the banking capital of the State, the amount is no doubt greater than I have stated—it is greater in the proportion of the increase of capital. I mention this merely as an illustration. The amounts are not material. They serve to show the principle of their operation. The number of banks in the State in November last, according to their quarterly returns, recently published by the Auditor General, is fifty-five, and the banking capital \$18,895,187. Every one can make his own calculation from this state of facts.

From the returns made to the Auditor General, there appears to be regular discounts on this \$18,895,157 of banking capital, to the amount of \$35,706,793, besides exchange, stocks, bonds, real estate, &c., amounting to several millions more—so that they are in fact drawing interest on nearly three times the amount of their capital, even if that be all paid in and a considerable part be not merely nominal. Their liabilities for circulation are \$11,833,456, and for deposits \$15,871,548—making an immediate liability on the part of the banks of \$27,705,004. The specie and treasury notes, according to the same returns, amount to only \$6,685,729, which makes about four dollars and a half of immediate liability for one dollar of immediate cash means to meet it. The safe rule of banking is considered three to one. It will be thus seen that the banks of the State are "making hay while the sun shines," and are adding up the greatest possible profit, out of their means, and the facilities afforded them by legislative enactment, even if they transcend the limits of *correct banking*, if a such financial anomaly be not an absurdity. I have selected from the table of these returns, what will show the capital stock, bills discounted, circulation, specie and treasury notes, and the amounts due depositors, and the facts generally in this connexion which I have already referred to. They are as follows:

Capital stock,	-	-	-	\$18,895,187
Bills discounted,	-	-	-	35,706,793
Circulation,	-	-	-	11,833,456
Specie and treasury notes,	-	-	-	6,685,729
Due depositors,	-	-	-	15,871,548

Mr. Gallatin, in his "considerations on the currency and banking system," published in 1831, gives a list of three hundred and twenty-nine State banks then in operation, having nominal capitals, amounting to \$108,301,898—which, added to the capital of the then United States Bank, made the whole nominal capital of these institutions upwards of \$143,000,000.—Since that time the number of banks has increased from three hundred and twenty-nine to eight hundred and fifty-five, in the first part of the year 1851, according to one authority, and eight hundred and seventy-one, including the branch banks, according to another. The estimated number is now, 1852, nine hundred and twenty-one. The aggregate bank capital has increased from \$143,000,000, in 1831, to \$227,-



469,074, in January, 1851, or \$248,803,000, at the present period.

It has been truthfully remarked, that it is the province of American banking institutions "to lend credit." I have already shown that they lend their credit to more than twice the amount of their nominal capital, and in this State have increased their circulation and immediate liabilities to more than four times the amount of their cash means to meet them. We may, therefore, set down, from the number of banks in the United States and the amount of their capital, the range of discounts at between \$400,000,000 and \$500,000,000—for which the people are paying six four-tenths per cent. directly, and for which the people are taxed in addition, in the shape of brokerage and depreciated paper, an enormous amount, annually, indirectly.

The extent of this system may be judged of by the tables which I have before me. The first is a detailed statement from the Banker's Magazine, for the month of February, 1851, and gives a view of the banks and their aggregate capital at the close of the year 1850:

STATES.	NO. OF BANKS.	CAPITAL.
Maine,	35	\$3,548,000
New Hampshire,	22	2,205,000
Vermont,	27	2,225,000
Massachusetts,	130	38,260,000
Rhode Island,	63	11,179,872
Connecticut,	42	10,073,101
New York,	195	48,976,868
Delaware,	9	1,440,000
Louisiana,	5	16,600,000
New Jersey,	26	3,754,900
Pennsylvania,	53	18,609,781
Georgia,	17	5,329,215
Maryland,	24	9,072,873
Virginia,	35	9,713,100
North Carolina,	19	3,650,000
South Carolina,	14	11,431,183
District of Columbia,	4	1,182,300
Mississippi,	1	100,000
Ohio,	57	7,427,171
Kentucky,	26	10,180,000
Alabama,	2	2,000,000
Indiana,	13	2,082,910
Tennessee,	21	8,165,197
Missouri,	6	1,208,751
Wisconsin,	1	225,000
Iowa,	1	200,000
Texas,	1	300,000
Michigan,	6	762,000
	855	\$226,902,222

From this table it appears that we had in the Union in the year 1850 eight hundred and fifty-five banks, the aggregate capital of which was two hundred and twenty-six millions nine hundred and two thousand two hundred and twenty-two dollars. The classification of the capital is a matter for curious speculation. Massachusetts possessed nearly the one-sixth part of the whole, and yet it is notorious that applications for an increase of the banking capital there for some years have been more numerous and more urgent than in almost any other State of the

Union. Another curious fact is here exhibited, that although her population did not at that time amount to one-twentieth part of that of the whole country, her banking capital was nearly one sixth part of the whole banking capital of the Union, nearly three-fourths as much as that of the State of New York, and more than double that of the State of Pennsylvania. The next table gives a statement of the population for the year 1850, according to the last census, and the number and condition of the banks for the year 1851. It is also taken from the Bankers Magazine of a recent date.

States.	Pop. in 1850.	No.	Capital.
Maine,	583,000	33	\$4,098,000
New Hampshire,	318,000	25	2,586,000
Vermont,	314,000	31	2,685,000
Massachusetts,	994,000	137	48,350,000
Rhode Island,	148,000	69	12,338,502
Connecticut,	371,000	47	13,175,675
New York,	3,000,000	218	58,497,315
New Jersey,	490,000	25	4,019,000
Pennsylvania,	2,311,000	54	18,966,351
Delaware,	91,000	9	1,440,000
Maryland,	583,000	26	9,287,395
Dist. of Columbia,	52,000	4	1,182,300
Virginia,	1,421,000	39	10,214,600
North Carolina,	869,000	22	4,305,000
South Carolina,	669,000	14	11,431,183
Georgia,	906,000	18	5,629,215
Alabama,	772,000	2	2,000,000
Indiana,	989,000	14	2,082,151
Iowa,	192,000	1	200,000
Kentucky,	982,000	26	10,180,000
Louisiana,	500,000	5	12,267,110
Michigan,	398,000	4	762,000
Missouri,	682,000	6	1,208,751
Ohio,	1,977,000	61	7,866,376
Tennessee,	1,003,000	23	8,405,197
Texas,	187,000	1	300,000
Wisconsin,	304,000	1	225,000
Illinois,	858,000	none.	none.
Florida,	87,000	none.	none.
Arkansas,	200,000	none.	none.
Mississippi,	593,000	1	100,000
California,	200,000	none.	none.
Total,	23,144,000	921	\$248,803,061

States.	Circulation.	Coin.
Maine,	\$3,200,000	\$630,000
New Hampshire,	2,120,000	140,000
Vermont,	3,377,000	180,000
Massachusetts,	17,000,000	3,000,000
Rhode Island,	3,000,000	350,000
Connecticut,	6,640,000	800,000
New York,	27,200,000	7,000,000
New Jersey,	3,500,000	750,000
Pennsylvania,	12,000,000	6,200,000
Delaware,	1,000,000	250,000
Maryland,	3,700,000	3,000,000
Dist. of Columbia,	350,000	300,000
Virginia,	11,600,000	3,650,000
North Carolina,	4,600,000	2,000,000
South Carolina,	7,500,000	2,600,000
Georgia,	4,300,000	1,700,000
Alabama,	3,500,000	1,800,000
Indiana,	3,680,000	1,300,000
Iowa,	100,000	50,000
Kentucky,	7,450,000	3,300,000
Louisiana,	3,500,000	4,300,000
Michigan,	650,000	150,000



Missouri,	2,400,000	1,500,000
Ohio,	11,635,000	2,800,000
Tennessee,	5,300,000	1,900,000
Texas,	400,000	200,000
Wisconsin,	250,000	100,000
Illinois,	none.	—
Florida,	none.	—
Arkansas,	—	—
Mississippi,	100,000	50,000
California,	—	—
Total,	\$150,052,000	\$50,000,000

It is thus seen that three of the States, Illinois, Florida and Arkansas have no banks or banking capital. Illinois is a most important and flourishing State, with a population of nearly one million. Massachusetts here again shows the largest amount of banking capital according to her population, though New York is not far behind her. And yet these statistics prove, that our State with its smaller banking capital has increased within the last ten years, at a greater rate per cent. than any of the other States. New York has increased at the rate of twenty-seven and a half per cent., Massachusetts thirty-two, and Pennsylvania thirty-four and three-fourths per cent. Pennsylvania is as prosperous as those States enjoying these extraordinary banking facilities. Banking capital it will be thus seen is no essential element of the increase and prosperity of a State. Industry and enterprize, productive labor, are the sources of a States greatness and power—not the banking facilities her people may enjoy.

The last table I have to submit on this subject is taken from the *Evening Post*, and made, it is believed by a Mr. George, a writer of some celebrity on the subject of banking. He gives a comparative view of the condition of the banks in January, 1837, when their issues were highest under the pet bank system, in January 1843, when they were lowest, and compares both these with their condition at the time he wrote, 1851.

	Jan. 1837.	Jan. 1843.	Jan. 1851.
Capital,	290,772,091	228,861,949	227,469,074
Number of banks and branches,	788	691	871
RESOURCES.			
Loans and discounts,	525,115,702	254,544,937	412,607,653
Stocks,	12,407,112	28,380,050	22,449,708
Real estate,	19,064,451	22,826,807	20,191,157
Other investments,	10,423,630	13,343,599	8,935,972
Due by other banks,	59,663,910	20,666,264	59,425,632
Notes of other banks,	37,533,627	13,306,617	17,174,260
Specie funds,	8,366,500	6,578,375	15,268,907
Specie,	37,915,340	33,515,806	43,671,138
LIABILITIES.			
Circulation,	149,185,890	58,563,603	155,012,911
Deposits,	127,397,185	56,168,628	127,557,645
Due to other banks,	62,421,118	21,456,523	43,362,955
Other liabilities,	36,560,289	7,357,032	6,379,464
Total of current credits, i. e. circulation and deposits,	276,583,075	114,042,231	282,570,556
Total of immediate liabilities, i. e. circulation deposits and sums due to other banks,	330,004,195	136,188,754	328,933,511

	Jan. 1837.	Jan. 1843.	Jan. 1851.
To immediate means i. e. of specie, specie funds, notes of other banks, and sums due by other banks,	139,479,277	74,067,062	131,539,937
Excess of immediate liabilities above immediate means,	199,524,916	62,121,692	197,333,574
Net circulation, i. e. issues less notes of other banks in hand,	112,652,363	45,259,991	137,838,652

We have here some remarkable examples of paper currency fluctuations. In the six years elapsing between the 1st of January, 1837, and the 1st of January, 1843, the gross circulation of the banks was diminished nearly two-thirds. In the eight years elapsing between the 1st of January, 1843, and the 1st of January, 1851, it was much more than doubled. On the 1st of January, 1843, the net circulation of the banks was but little more than one-third the amount it was on the 1st of January, 1837. On the 1st of January, 1851, the same net circulation of the banks was more than three times the amount it was on the 1st of January, 1843. I think there is something alarming in the above table. The previous bank expansions reached its culminating point 1836–37, and was, as every one knows, succeeded by seven years of extreme pecuniary distress and embarrassment. Now, we have nearly one hundred banks more than we had in 1837, with twenty-five millions additional of net circulation, and yet with sixty-three millions less of capital.

In addition to the fluctuations of our paper currency, as exhibited by these tables, they show also that it is now in a state of plethora, and ready for almost any casualty.

What an enormous tax is this system upon the resources and industry of our people! Not only the robbings and stealings of the system, but here are nine hundred and twenty-one sets of officers and the dependents, directors, stock speculators and usurers, who live by banking operations, who are all taken from the productive pursuits of life and added to the non-producing classes—which we all know are numerous enough without them. They thus diminish the wealth of the nation by taking from its active productive industry. The learned professions, the divines, lawyers, doctors, and the trading classes, were drones enough in the hive, without adding to the list nine hundred and twenty-one sets of bank officers. All the wealth of a nation consists in the soil, and the productive industry of the people—and here the productive classes are to be taxed in addition to support another growing and numerous non-producing class. And these are to be supported in all the extravagance inherent to and connected with the system. There are the expenses of banking houses, the salaries of these officers and a thousand sources of outlay which must eventually be made up by the labor of the country—by the men who till the fields, toil in shops



and factories, work in mines, and employ their energies in many active, vigorous and wealth-producing pursuits. It is stated in the Massachusetts journal of 1830, that the expenses of the banks in the city of Boston alone, for salaries, rents, &c., amounted to \$120,000 per year. There were in 1832, but twenty-two banks in the city of Boston, and sixty-one in other portions of the State—so that the \$120,000 spent for these purposes constituted but a small part of the cost of the system in the whole State.

The expenses of the Bank of the United States were \$500,000 annually. According to Adam Smith, three millions of people in the country now composing the United States, were before the revolution governed at an expense not exceeding \$350,000 a year. The expense therefore of the whole system throughout the entire country, must be a very large sum, which is thus taken from the people, in addition to the large dividends or profits declared by these banking institutions.

The system is now rapidly expanding in some of the States. Since the free banking law has been in operation in the State of New York, the banks in that State had increased, in June last, to the round number of two hundred and twenty-two, and they are now considerably above that figure. And yet with all this army of currency makers and prosperity manufacturers, there has not been as "hard times" for money among the people of that State since 1837, as they have passed through but recently.

But it is not the mere wear and tear of the system, even if honestly managed, that afflicts the people so much, as the power it gives certain men who are enjoying this sovereignty of making money plenty or scarce, and have the disposition to exercise that power dishonestly. Those behind the curtain can first inflate the currency and enhance the nominal value of articles in the market, and when everything is in the full tide "of successful experiment," sell at high prices. They can then apply "the screws," make money scarce, reduce prices to their lowest ebb, and buy again at cheap rates. This is the practical routine of a paper medium. It is a most excellent system to place the honest and unwary in the power of the sharper and the Shylock. The bank director who votes to turn down the paper of a needy customer, can follow him to the street and loan the money of the bank to him at two per cent. per month. It is a most excellent system to enable the shrewd and cunning to grow rich upon the industry of the simple and unsuspecting. The recent crisis in New York, it was boldly asserted in certain leading journals, (the New York Herald and Hunt's Merchants' Magazine,) was brought about by design. The banks in Wall street contracted their discounts \$5,000,000 in the three months ending on the 27th of September last. We all recollect that severe pressure in the money market in our large cities. I cannot express what I mean to say on this branch of the subject better than by reading extracts from these two journals. The Herald, in an able

article headed "The cause of the panic," says:

"This contraction was not spread over the whole of that time, but was brought about suddenly—so suddenly as to produce a panic in the money market, equal in intensity, while it lasted, to anything ever experienced. The origin and design of this movement can be easily traced to the directors and managers of our city institutions. They were the direct cause of the panic, and are responsible for the distress, disaster and ruin, resulting from it. The country at large was never in a more prosperous condition. Every important interest is in a flourishing state. The crops have been large and are now ready for market. Our internal improvements are progressing rapidly, and upon a proper basis. The receipts of all the companies in active operation have been larger this year than ever before, and their dividends must exceed those of any previous year. Every one has full and remunerating employment, and there has never been within the history of the country a period of greater prosperity, than during the past twelve months. With an abundance of every thing comprising the general wealth, with all the elements of trade in successful operation, with credit undoubted and unlimited, a sudden check was given to the wheels of commerce, and panic seizes upon the community at large. A few of the capitalists, who unfortunately happened to manage several of the leading Wall street banks, met one day in the parlor of a certain bank not far from the Custom House, and determined to put the screws at once upon the market, and give them several turns. No sooner determined upon than done, and the turns were so frequent and so severe, that in less than forty-eight hours the excitement in the street was most intense, and the panic widespread and of the most alarming character. If these individuals had a private object in view, in making this movement, there can be no excuse for it, and even if the public good was aimed at, there can be no justification for so sudden and severe a pressure upon the market. It is not for the interest of the banks, that an easy money market should continue for a length of time. Expansions and contractions serve their purposes best; and as they have the power, sudden movements producing these results, must be looked for."

I read now, sir, from the Magazine which I have named.

"THE BANK POWER.—That the banks are the authors of the present prevailing panic in the money market, there can be no question. There have appeared no signs in the fiscal firmament to indicate a coming storm. No comet's trail, with war and pestilence in its wake, has swept through the untroubled air. No evening blight—no midnight mildew has visited the honest fields. The resources of the country are greater than at any former period. Its agricultural yield redundant to repletion; its commerce spreading its wide wings to a rich return; its public works productive beyond example; individual



State and Federal credit at an enviable attitude, with seven millions excess of specie over 1850, and California to augment the store. Contrast this picture with that of 1837, when we were importing our bread from Europe—when our half-finished works were consuming themselves in interest and decay, and no means to complete them—when Federal and State stocks and private credit were convulsed by the threat of repudiation and the taint of suspicion clinging to our name. Then why this panic at a season so buoyant—so full of auspicious promises!—When every wind that whistles on the mountains or sighs through the valley, speaks of a future prosperity and greatness which the croaking of a thousand banks cannot gainsay. The money making power should be vested in the State, and taken from the custody of corporations. The period is not far distant when some other generation will look upon the retrospect and marvel that we should have tolerated for a single day such a colossus as the money making prerogative of banks.”

But these are not all the evils of the system. Look at the frauds and bankruptcies of these institutions. More money has been lost by the people of this country through bank failures than they paid to achieve their independence, and sever by a bloody war their connection with Great Britain. From 1811 to 1830 there were according to the statement of Mr. Gallatin one hundred and sixty-five broken banks. To this list may be added twenty-eight banks not mentioned in Mr. Gallatin's table, making one hundred and ninety-three in all.

In an address by Nicholas Biddle to the stockholders of the United States Bank, in 1828, he stated that of five hundred and fifty-four banks in the United States, one hundred and forty-four had been openly declared bankrupt, and about fifty more had suspended business. There has been a sad list added to this number since that period, strewn in wrecks down through the crisis of 1837, and among the number the mammoth institution with its thirty-five millions of capital, over which he so proudly presided, when he made the statement to which I have referred, and which carried with it the hopes and hearts of thousands of widows and orphans into the yawning gulf of despair and ruin.

I am constrained to say, sir, that the boasted system of free banking turns out to be but little more safe from casualties than the old system. I find in the Philadelphia Ledger, of December 22, 1851, the following statement of facts on this subject, which I will read to the House:

“The friends and advocates of the free banking system, will see an admirable illustration of its workings in the State of New York, by the winding up, last week, of the James and New Rochelle Banks. The bonds and mortgages held by the superintendent of the Bank Department, as part security for their circulating notes, were sold at public sale at Albany on Wednesday.—The sale was well attended, notwithstanding which there was a heavy loss, amounting to nearly fifty per cent upon the face of the mort-

gages. The failure of the securities pledged to meet circulation, we, however, think one of the least objections of the system, unsafe and unreliable as they are sure to be.”

Now, sir, we have a bill on our files to adopt this system also, and allowing an increase of the banking capital of the State to the amount of fifteen millions of dollars. But the system would not stop at increasing it to that sum.—Were it adopted in this State, based upon our debt of forty millions of dollars, it would swell the volume of currency thirty-two millions of dollars, besides what it would be increased by banking on the indebtedness of other States and the stocks of the Federal Government. Banks of this description would know no limits; would be prescribed by no bounds; the more debts, State and National, the more banking capital. It would lead to a most unsafe expansion of the currency. The indebtedness of corporations, municipal and others, would soon be considered as good a basis of circulation for paper money as State stocks and mortgages on real estate.—Now, in order that we may have some idea of what would be the magnitude of such a credit system, I will read to the House an estimate of the indebtedness of this country, in various forms. It is as follows, as calculated by those who have the opportunity of vouching for its correctness:

The federal indebtedness is	\$64,000,000
Indebtedness of the States,	211,000,000
Indebtedness of the cities,	40,000,000
Indebtedness of western counties,	5,000,000
Bonded debts of railroads,	50,000,000
Total,	\$370,000,000

Under the system of free banking, this would add at least two hundred millions of dollars to the banking capital of the country—and this system is seriously urged upon the consideration of the Legislature, and the bill on our files came within two votes of being taken up on second reading in this House, and was probably within that number of the force sufficient to be carried through this body.

Thomas Jefferson often raised his warning voice against the American system of banking. On one occasion he says: “In copying England we do not seem to consider that like premises induces like consequences. The *bank mania* is one of the most threatening of these imitations. It is raising up a monied aristocracy in our country which has already set the government at defiance, and although forced to yield a little on the first essay of their strength, their principles are unyielded and unyielding. They have taken deep root in the hearts of that class from which our legislators are drawn, and the sop to Cerberus, from fable has become history. Their principles take hold of the good, their pelf of the bad, and thus those whom the constitution has placed as guards to its portals are sophisticated or suborned from their duties. That paper money has some advantages must be admitted; but its abuses are also inveterate, and that it, by breaking up the measure of value, makes



a lottery of all private property, cannot be denied. Shall we ever be able to put a constitutional veto upon it?"

The language of Jefferson here in reference to this system "raising up a monied aristocracy which has already set the government at defiance," was not only historical but eminently prophetic of what afterwards transpired under Gen. Jackson's administration. Had not the old soldier and patriot been eminently strong in the affections of his countrymen, the government had proved too weak in that memorable contest, and the money power would have strode over the necks of the people.

Mr. REILEY (of Schuylkill) here rose and wished the gentleman from Cumberland to give way, to enable him to make a motion, for the purpose of holding a night session. The motion was made and lost on a call of the ayes and noes.

Mr. Bonham continued. One of the greatest objections, sir, to the banking system is that it gives a most important part of the sovereignty of a State to irresponsible corporations—to bodies of individuals who will do as directors and officers of such corporations, what they would not do as individuals. A celebrated English writer has roughly, but strongly said that "corporations have neither bodies to be kicked nor souls to be damned." Such artificial persons are held in being by a mere figment of law, and are soulless as well as heartless. They have an eye single to their own interests. And it is to such soulless and heartless bodies that the sovereign power of regulating the currency of the country, a power which controls and regulates the most delicate, sensitive and vital interests of the community, is entrusted. Almost all civilized nations have stringent usury laws. Why? To protect the standard of value in the dealings between man and man. Money may be treated as a mere commodity, an article of merchandize, which shall bring whatever it is worth in the market, as any other article of merchandize, but it has a higher duty also, to fulfil—that of forming a standard of value. It could not be tolerated that money should be permitted to fluctuate as a standard of value, and thus derange the contracts and dealings of men, and throw all business open to blind chance. We would not like to have an indian rubber yard stick as a standard of measure, which sometimes might measure a half a yard and sometimes a yard and a half. Neither would we pass laws knowingly to sanction such a derangement of the standard of value. Yet such are the legitimate effects of the operations of the banking system. When the volume of the currency is increased the inflation of prices follows, and when the currency is again withdrawn, the prices fall. And in this difficulty the banks could not extend help, if they even felt disposed, as they must take care of themselves—and the very contraction of the currency increases the difficulties of the banks, as the contraction is produced by their being compelled to redeem their own circulation. When,

therefore, the community needs help the banks are the least able to furnish it. When all is in full flow, and money is not required, then they invite their customers to borrow, and unduly stimulate enterprise and trade, and force them into unnatural and dangerous channels. This is the constant routine of the system. The laboring man suffers most by it, though all suffer. The wages of the laborer are the last to rise with an inflation, and the first to fall with a contraction, of the currency. His meat and flour and other necessities to support his family may cost two prices, but his wages remain stationary. But let the reverse tide set in, and the first curtailment of the employers expenses, is to discharge his hands or reduce their daily compensation. It is, therefore, the great mass of the people, the great laboring classes of the community, the millions who produce the wealth of every nation, that pay the greatest contributions to this unholy system, this crushing Moloch, in the sweat and muscle of their stalwart frames, and in the hunger and despair of their many destitute and cheerless hours.

The celebrated De Witt Clinton in a message to the Legislature of New York, in 1818, while he was Governor of that State, boldly proclaimed that "a proposition to invest banks with the power of coining money would have no advocates, and yet it might not be so pernicious as the authority already granted of emitting bank notes."

To show the power of the banks in enhancing the prices of even real estate, I may mention that in the county I have the honor in part to represent, the price of land in 1809 was from forty dollars to sixty dollars per acre—in 1813—14, when the country was flooded with paper currency, issued by the banks, it was from one hundred and fifty dollars to two hundred dollars per acre—and in 1819 when that currency was in a great measure withdrawn, it was from twenty-five dollars to forty dollars per acre.—This was about the relative value of land in this State during the periods named. During the inflation in 1813—14 land in Lancaster county rated at from two hundred and fifty dollars to three hundred dollars per acre. When the depression came, valuable houses were sold in Philadelphia for arrearages of ground rent, the house and the ground not renting for as much as the ground formerly.

Why then extend this system in Pennsylvania? With all the restrictions and guards we can impose upon it, it is, as I have before remarked, still too strong for the law and for the government. The present act of Assembly, requiring the banks to keep their notes at par in Philadelphia and Pittsburg, is practically a dead letter. It is utterly disregarded. Heretofore the brokers bought up the bills of these banks at five-eighths or three-fourths per cent. discount, and remitted them to the banks at one-half per cent. discount, so that the broker would realise one-eighth or one-fourth per cent. and the bank one-half per cent. by the operation at every purchase and return of these bills—to be



again put in circulation, and to pass again through the same routine. But recently a new arrangement has been entered into, and the brokers buy a fraction less to prevent the purchase of the notes by any but brokers, and their too speedy return to their counters for payment.—The banks now remit at three-eighths per cent., and the brokers are not to sell to any one who would be likely to demand coin from the banks. Thus the banks make three-eighths per cent. and the brokers one-eighth by buying up their own depreciated paper circulation, which is added to the other profits of these institutions, and is considered a fair business transaction. There is a tax, it is true, of two mills per cent. imposed upon the circulation of those banks that disregard the law, but I have not been able to discover that it has ever been paid, by any report of the accounting officers of the government. Instead of two mills, the tax ought to be two per cent. to be at all efficient in restraining the evil.

Why not, then, let us keep from enlarging this system in Pennsylvania, by creating a host of new banking institutions? There is certainly less demand for an increase of banking capital, since the great influx of gold into the country by reason of the discovery of that precious metal in California. The cry of ruin and distress unless banks are chartered or re-chartered, is stale and nauseates upon good taste and public propriety.

Some of the advocates of the re-charter of the Easton Bank have raised the old federal panic cry on this subject, such as what we heard when the United States Bank was trying to extort a re-charter from the national government—just as if the wealth of the country depended upon a few bank notes. If the farmers and coal dealers of that region have grain and staple products to send to market, it will bring back its return in real value, in gold or silver, or its equivalent, if there were not a bank note in the wide world.

I hold in my hand, sir, one of the petitions for the re-charter of the Easton Bank, which is but one of many in precisely the same words, which with all due respect, is positively disreputable to the intelligence of those who signed it. It is a petition of merchants of the city of Philadelphia for the re-charter of the Easton Bank, and they say among other things that—

“The winding up of its large discounts and circulation would inevitably prostrate a large portion of this trade [referring to the trade mentioned in a former part of the petition] reduce the tolls of the Commonwealth—injure the citizens and merchants of Philadelphia, and produce many heavy losses by failures of individuals.”

Here are the “Gorgans, Hydras and Chimeras dire”—such as raised their heads when the old monster, the United States Bank, demanded its re-charter at the price and under the threatened penalty of the destruction of the interests of the entire community.

Now, sir, this leads us to enquire into the

state of the Easton Bank. I find from the returns made by the bank to the Auditor General, for the year 1849, for the last quarter of the year, November, the following exhibit:

Bonds and mortgages,	\$94,453 17
Pennsylvania 5 per cent. loan,	49,000 00
“ 6 “ “	20,000 00
United States 5 “ “	100,000 00
“ 6 “ “	16,500 00
Kentucky bonds,	10,000 00
Stock of its own bank—381 shares,	19,050 00
Sundry other stocks,	8,385 00
Total,	\$317,338 17

Thus we find, sir, that out of its capital of four hundred thousand dollars, it has three hundred and seventeen thousand three hundred and thirty-eight dollars and seventeen cents invested in stocks and pet loans, and withdrawn from legitimate banking business—leaving at that time but eighty-two thousand six hundred and eleven dollars and eighty-three cents in active banking capital. It will be perceived that the bank had then two hundred and twenty-two thousand nine hundred and thirty-five dollars in stocks alone.

Well, sir, for the year ending November, 1850, the same returns show that the bank held two hundred and three thousand six hundred and ninety-six dollars and thirty-three cents in stocks, and two hundred and sixty-one thousand thirty-one dollars and seventeen cents in stocks and pet loans, leaving for that year but one hundred and thirty-eight thousand nine hundred and sixty-eight dollars and eighty-three cents, active banking capital.

In 1851, its condition was somewhat improved. The returns for the quarter ending in November, show that it held only one hundred and sixty-five thousand seven hundred and eleven dollars and twelve cents in stock, and two hundred and sixteen thousand three hundred and twenty dollars and seventeen cents in stocks and pet loans, leaving for that year one hundred and eighty-three thousand six hundred and seventy-nine dollars and eighty-three cents active banking capital.

But taking the quarterly November statements of this bank for the last three years, we find that its average active banking capital for that time has been only one hundred and thirty-five thousand eighty-six dollars and eighty-three cents, nearly sixty-five thousand dollars less than my amendment proposes to reduce it.

Can there be, therefore, any great danger of a general bankruptcy from the withdrawal of this amount of capital from the bank and placing it in the pockets of the individual stockholders? It is ridiculous, sir, to talk thus. On this part of the subject, the bank must hang on one of two horns of a dilemma—either that she has not accommodated the community in which she is located to any great extent, or else she has been issuing her own notes on the basis of the stocks she holds, and at the same time that she is drawing interest on those stocks, making them the basis of the circulation of her own



notes, as if such stocks were specie, and drawing three interests over again. The latter is the more uncharitable construction to put upon her conduct, but I find, sir, on recurring to the recent communication from the Auditor General, transmitting the statements of the banks, it is the true one. On page 74 of that communication I find at one time during the past year, on the 1st of May, 1851, that this bank had notes discounted to the amount of one million sixteen thousand four hundred and forty dollars and forty-two cents, bank notes in circulation to the amount of seven hundred thousand seven hundred and ten dollars, with but eighty-eight thousand two hundred and sixty-eight dollars and seventy-nine cents of specie in its vaults. Thus it had within a fraction of eight dollars of paper in circulation for every one in specie to redeem them with. At this same time, sir, it was indebted to depositors two hundred thousand six hundred and twenty-three dollars and ninety-one cents, and to other banks sixty-seven thousand fifty-seven dollars and nineteen cents—making a total immediate liability of nine hundred and sixty-eight thousand three hundred and ninety-one dollars and ten cents, with but eighty-eight thousand two hundred and sixty-eight dollars and seventy-nine cents in specie to meet it with, unless the stocks it held are to be looked upon and treated as a specie basis. I look, therefore, upon the method of transacting business by this bank as objectionable, and as adopting the principle of free banking based upon public stocks, in its worst form. No wonder this bank has been enabled to declare twelve per cent. dividends for its stockholders for a number of years.

But, sir, I have not much to say in reference to the particular management of this institution—that is not my objection to it. The community have no reason to fear its insolvency, and it has been well managed for the interests of the stockholders, and I believe that this bank has as strong claims for a charter as any other bank application which has been made this winter. There is no objection to it that I know of, except that the institution is too old. It is perhaps old enough, and been engaged in active and profitable business long enough to retire to private life and spend the rest of its days in luxurious ease and elegance. If banks be good things, they ought to go round, and we should not suffer the same set of men one generation after another to enjoy their peculiar advantages. Such a course is anti-republican. It gives a certain set of men the power to control the political, social and even religious affairs of the community in which it may be located. It is a kind of power which, if it be suffered to exist at all in this country, should be permitted and even required to change hands.

But, sir, this bank is particularly tenacious of a continued existence, and most strenuous exertions have been made in its behalf, and it is said to be demanded by the entire people of that region of the State. It applied for a re-charter in the winter of 1850. It renewed its applica-

tion in 1851, and "Monsieur Tonson has come again?" We have a homœopathic doctor in the town in which I reside, by the name of John K. Smith, and a very good one I believe he is, too, of the sort. He left the place, thinking to do better, and located in York county—but in a brief space of time he returned, and at the public houses could be seen a card in large letters—"Dr. John K. Smith back again." Now, sir, whether this bank administers its doses according to the homœopathic or allapathic practice, I am not prepared to say, and whether its practice is adapted to cure the financial diseases of that section of the Commonwealth, I am equally ignorant; but I am strongly inclined to the belief that the people there are tired of its medicine. And why do I say so? From certain facts which are well known all over the Commonwealth. In the winter of 1850 this bank had an able champion on this floor, in the person of my learned and venerable friend, the Hon. James M. Porter, who was then one of the representatives of the county of Northampton, and whom I have seen in this hall since this discussion commenced, apparently watching with manifest interest the fate of this bill. I have known him from my youth up, and have a right not only to call him friend, but instructor and counsellor, for I was connected for some years as a student in the literary institution of which he was the honored head. But, sir, in this matter I would be recreant to my duty, as I understand it, as a representative on this floor, were I to follow his advice and counsel. Well, in 1850 he piloted the bill re-chartering this bank through this House, and it was lost in the Senate because the bank refused to answer certain questions propounded to it by the Committee on Banks of that body, in relation to the employment of its capital.

The SPEAKER (Mr. Rhey.)—The gentleman from Cumberland is mistaken—that was not the cause of the bill failing in the Senate. It was from other causes entirely.

Mr. BONHAM.—It may be sir. I was not here. I only state what has been told me. One thing, however, is certain, and that is all that is material—that the bill passed this House through the exertions of the honorable member from Northampton (Mr. Porter) and was defeated in the Senate.

Well, sir, this gentleman was re-nominated on the Democratic ticket in the fall of that year, 1850, for re-election, as the open and avowed friend of the re-charter of the Easton Bank, and both he and his colleague were defeated largely on that issue in the Democratic county of Northampton, where they have usually from twelve to fifteen hundred Democratic majority, and the two Browns sent here in their places.

Mr. LILLY.—The gentleman from Cumberland must know that the two Browns were in favor of the re-charter of the Easton Bank.

Mr. BONHAM.—Ah! I do know that, but they were firmer friends of the charter of the new bank, which they pushed forward first, and succeeded in getting through, and which was the



main cause of the bill re-chartering the old institution being defeated, as the new one was considered by the members generally as intended to occupy its place, the capital being about the same in amount.

Well, sir, what next transpired? Why the bank entered with desperation into the last fall's election, determined to "sink or swim, live or die, survive or perish." She attended the township delegate elections, secured and controlled a majority of the Democratic County Convention, and nominated two gentlemen for the Assembly who were pledged to go for her re-charter. And I saw in relation to that ticket what I never saw before, in relation to a Democratic ticket. It was published in a Democratic paper, the leading Democratic paper of the county, with large letters above it, in the following words: "Pledged to the re-charter of the Easton Bank." Now, sir, I never saw anything like that in any other county of this Commonwealth, and I think that kind of tactics was new in the history of the Democratic party of the State. It is bad enough for Democrats to vote for bank charters, without being publicly pledged to do so before the people. But thus was this ticket pledged—pledged to go for the re-charter, the continued existence of a great monied institution, which had grown fat upon the spoils it had wrung from the community in which it was located, by reason of the many privileges it had long enjoyed by legislative enactment. And what was the result of the election? Why, my excellent friend from Northampton on that ticket (Mr. Meyers) was elected by a small majority, by reason of his great personal popularity, and his colleague (Mr. Hutter) a gentleman of high standing in the community, of great intelligence, the editor of the leading Democratic organ of the county, was defeated. He was every way well adapted by reason of his capacity and business habits, for the office for which he was nominated, but he had the Easton Bank on his shoulders, and standing like Atlas with the world upon his back, it was too heavy to be borne, and he fell beneath its crushing weight.

The SPEAKER (Mr. Rhey.)—I must call the gentleman from Cumberland to order. The elections in Northampton county have nothing to do with the question before the House.

Mr. BONHAM.—I think, sir, I am in order.—It has been represented here by petitions and otherwise, that the people of that section of the State are unanimously in favor of this bill being passed, and I have a right to show that whenever it has been made a test question at the polls, there has been a decided expression of the people against it.

The SPEAKER.—I shall insist on the gentleman from Cumberland confining his remarks to the merits of the bill under consideration. The gentleman will proceed.

Mr. BONHAM.—I have said all I have to say in relation to the popularity of the institution, and shall turn my attention to other matters.

I have already referred to the absence of any

necessity for more banks, and a further increase of the banking capital. I come, therefore, to the second branch of my amendment, the prohibition of this bank, should she receive her charter, from issuing notes of a less denomination than ten dollars. As to this institution now is the time to speak on this subject. She would then know what she had to depend on, and would receive her charter with her eyes open. We must do something in earnest on this question as we are in great danger of a retrograde movement, and the repeal of what few restrictive laws we have, prohibiting the circulation of notes of a small denomination. The great increase of the precious metals renders the circulation of small notes entirely unnecessary. The precious metals should, at all events, form the circulation between consumers—the consumptive circulation, (as it is called by writers on political economy,) if not between traders.

It was the opinion of Adam Smith, that the country banks should not be permitted to issue notes of a less denomination than five pounds sterling, or twenty-four dollars in Federal money—and that the city banks should not issue notes of a less denomination than ten pounds sterling, or forty-eight dollars. He believed that the circulation between consumers should be the precious metals—the circulation between dealers might be paper.

These views were adopted in England, until the suspension of specie payments in 1797, by the Bank of England, and permission was given to it and to the country banks to issue notes of as low a denomination as one pound sterling, or four dollars and eighty cents.

The bank's suspension continued until 1821, twenty-four years, and the precious metals began to be looked upon as an unnecessary incumbrance, and when bank notes passed at a considerable discount, many writers affirmed that paper had not fallen, but that gold had risen in value.

This led to an investigation of the subject in Parliament, and the famous report of the Bullion Committee, made in 1811, which strongly advocated a return to more correct principles of banking and currency. In accordance with these views, an act of Parliament was passed, prohibiting the issue of all notes of a less denomination than five pounds sterling, after a certain day named in 1829. In 1828, an effort was made to repeal this law. In a debate on this subject, on the 3d of July, 1828, the Duke of Wellington said "the measure of 1826 was not founded on any theory, but on experience, which the few last years had confirmed. That experience had proved the fallacy of a theory which stated that a paper currency was perfectly safe as long as it was convertible into gold and silver. Experience had proved this theory not to be true. It had likewise proved another theory not true—the theory that one pound notes and sovereigns could circulate together."

Mr. Huskinson, Mr. Grant, Lord King, Lord Liverpool, and other distinguished men took the



same view of the question, and the repeal was successfully resisted.

If there be any one truth established in the laws of currency, it is, that the baser circulation will take the place of the better.

The Bank of France formerly issued no notes of a less denomination than five hundred francs, or ninety-four dollars in our currency, and at present, I believe, no bank in that country is allowed to issue notes of a less denomination than one hundred francs, or eighteen dollars and eighty cents, in federal money.

Now, sir, it is a matter of surprise, and I may as well mention it in connection with the subject under consideration, that a bill has been introduced into this House, repealing the 48th and 49th sections of the act of 1850, prohibiting the circulation of notes of the banks of other States of a less denomination than five dollars, and that it appeared to stand a fair chance in connection with the various applications for bank charters, of passing this body. A proposition was moved as an amendment to the bill I have just mentioned, to allow the banks of our own State to issue small notes under the sum of five dollars. Now, sir, such legislation is to be sincerely deprecated. Suffer these foreign notes to come in among us, and the community will scarcely ever see a gold dollar or quarter eagle again, except on the counter of some bank.—The whole channels of circulation will be filled by these foreign rags. And while we seem to be insensible of our danger, the surrounding States are awakening to the importance of the subject and the magnitude of the evil they are enduring. In Maryland, the nuisance of this kind of currency has become so great that the people have called loudly upon the Legislature to prohibit the circulation of the small bills of the banks of other States. The House of Delegates did pass such a bill almost unanimously, but whether it has passed their Senate and become a law, I have not observed.

A correspondent of the National Intelligencer, in writing recently to that paper, bears the following testimony in reference to the circulation of small notes in New England, and the anxiety of the banks of that region to force this kind of currency upon the people. He says:

“Notwithstanding the government are now furnishing a good supply of small gold coinage, the banks of New England set their faces against it; and in travelling through all the Eastern States, I scarcely see a gold coin—nothing but ones, twos and threes of the banks. Could not the sub-treasury at Boston, by withholding coin over five dollars, force the one dollar and quarter and half eagles into circulation? That policy would compel a curtailment of the immoderate small issues of all the New England States, of which Massachusetts and Vermont are the greatest sinners. The circulation of the New England States, I expect, is nearly thirty-five millions, with little if any more than three millions of specie. This is awful.”

Major McCASLIN, the Senator from Greene, has made a movement calculated to procure the

joint action of several States on this subject, and it has had the desired effect of directing public attention to the evil. Resolutions have been introduced into the Virginia House of Delegates, requesting the Governor of that State to open a correspondence with the Governors of Maryland, Pennsylvania, Ohio, Kentucky, Tennessee and North Carolina, and urge them to co-operate with Virginia in the passage of a law to prohibit the circulation of bank notes of a less denomination than five dollars. Another resolution instructs the members of Congress from Virginia to urge the passage of a law to prevent the circulation of small notes in the District of Columbia.

In a recent number of the Petersburg (Va.) Intelligencer, I find the following sensible remarks on this subject. It says:

“We should, if possible, get rid of all bank notes under the denomination of five dollars, and this can only be effected by the joint action of the State Legislatures, aided by such legislation by Congress as will break up the system of private banking and small note issues in the District of Columbia. If this can be accomplished, and an alteration made in the standard value of silver, small notes would soon disappear, and in their stead we should have a silver circulation. A move on this important subject, we rejoice to see has been made in the Senate of Pennsylvania. We hope our Legislature will, at its present session, follow the good example set in Pennsylvania, and, at least, make an effort to rid the State of an evil which is already grievous, and which is steadily and rapidly on the increase. Should this effort fail, no additional harm can accrue, for we should then be just where we are now. It is a self-evident proposition that no separate State action can rid us of small notes. If the State and the General Government do not legislate harmoniously on the subject, the evil is incurable.”

This is one plan in reference to foreign notes, by those who are suffering from the effects of the trash issued in the District of Columbia.—In Pennsylvania, however, I think we can take care of ourselves, if we but adopt the proper legislation. Since the foreign small bills have been driven out we have a tolerably good currency, with the exception of the relief notes, which I had hoped to have seen entirely withdrawn from circulation, by an act to be passed at the present session of the Legislature. That measure was defeated in this House by one vote.

The small notes of our own banks were prohibited under severe penalties as far back as the act of 12th of April, 1828. The spirit of that act has been faithfully carried into effect ever since, with the single exception of the act of 4th of May, 1841, which was rather a financial measure—to raise means to enable the State to borrow money from herself, after she had literally gutted the banks, so as to leave nothing in them but the old stools and benches. She could not longer borrow from the banks, and adopted the unjustifiable method of issuing her own bills of credit through them, in defiance of



the Constitution of the United States. She gave the banks the privilege of issuing these bills of credit in small sums, to enable them to keep the coin of the country in their vaults, and give them the profits of the wear and tear and loss of these small bills as compensation for their trouble.

Now, sir, my amendment is a counter project to all these movements of abolishing the laws in relation to the circulation of small bills either of our own or foreign banking institutions. It is entirely practicable to adopt the measure I have proposed, and let the legislature insert this provision in each bank charter that is renewed, and as they pass in review before you, the whole banking institutions of the State would in a short time have this wholesome clause in their charters. Let no bank be chartered or re-chartered without it. Then on the next renewal of their charters or in a few years, a further restriction could be imposed, so as to prohibit the issue of all notes of a less denomination than twenty dollars, and then after that they could be restricted to notes of not less than fifty dollars—and in a reasonable time by this gradual and healthful reform in our banking system we could eventually throw the power of regulating the currency back again to the general government where it rightfully belongs. We could then have, instead of banks of issue, our banks of transfer and deposit, which are all that are required for commercial purposes, having a specie currency for small business transactions and the consumptive circulation, and United States treasury drafts and treasury notes, and bills of exchange representing nothing less than their full value, dollar for dollar in specie, in the vaults of the government as received at different points for customs or in the banks of deposit and transfer, for the larger commercial transactions. Thus we could get back to the practical operations of the currency provided for in the constitution of the United States, by the wise framers of that instrument, and the country will never be permanently and truly prosperous until we adopt this policy. Without this all is uncertainty, commerce but a game of chance, private enterprise in all its forms the sport of unlooked for and unexpected contingencies, and no man, even the wisest, can tell in financial affairs what a day may bring forth.

I have said in substance that these views which I have submitted are not chimerical but practical. The recent discoveries of gold will make a great change in matters of finance and currency. What will be its effect we cannot exactly tell, but that it will produce great changes will not be for a moment doubted.

By the discovery of America the supply from the mines of the precious metals was increased ten fold, and the rise in prices from 1520 to 1620 was four fold. It is perhaps impossible to ascertain with any degree of accuracy the amount produced annually for any given period of time. From a statement made by Brogniart of the production of the precious metals from 1790 to 1802, it is estimated at forty-five millions

five hundred and eighty-five thousand two hundred and forty-one dollars annually. The entire production from the mines of America from 1492 to 1825, according to a table compiled from the statements of Humbolt and Ward, amount to \$6,200,000,000. The quantity existing in the world at the time of the discovery of America and that added from other sources since that period, are in a great degree conjectural, but it is supposed not to be under eight thousand millions of dollars. Mr. Gallatin, however, estimated the stock of precious metals on hand to be only between four and five thousand millions of dollars. From 1803 to 1809 when the American mines are believed to have been most productive, the annual supply was fifty millions of dollars. In the twenty years succeeding the latter period, from 1809 to 1829, it has been estimated that there was an annual production of the precious metals of only twenty-seven millions of dollars, eighteen millions in silver and nine millions in gold. This included the product of the South American, Mexican and Russian mines. During the eight years preceding the year 1819, the supply from the mines is supposed to have fallen off one half, owing to the political troubles in South America.

But the stock of precious metals has been and is likely to be greatly enhanced by the recent discoveries in California. It has been estimated by those having the opportunity to judge correctly, that the production of gold from California has been considerably over one hundred millions of dollars, equal to one-half the total coinage of the country since its separation from the British Empire.

In addition to the large amount received at the mint, not far short of one hundred millions of dollars, must be added large amounts received and consumed by dentists and jewellers; considerable amounts shipped from San Francisco directly to other countries; the whole amount of the gold coinage and circulation of California itself, including the fifty dollar pieces, stamped by the U. S. assayer; and all the gold in the hands of merchants and miners on the Pacific coast. It would not be too large an estimate to put down the entire production from the mines of California to this period of time at two hundred millions of dollars. The present Secretary of the Treasury in his last annual report estimates the product of gold in California at from seventy-five to one hundred millions of dollars per annum. This may be too high, but he has peculiar opportunities of knowing the true state of the facts.

To this large supply may be added an indefinite amount likely to be obtained from recent discoveries of gold in Australia.

In a report submitted by the committee on Finance in the Senate of the United States, so late as March 9th, 1852, relating to a change in the coinage, it is estimated that the annual production of gold and silver in the world is now and will be one hundred and fifty millions of dollars. I have not that report before me, but



I recollect most distinctly that such is the opinion of that committee.

And a gold currency is within our grasp, unless it be driven into the vaults of the banks, by the increase of banking capital, and the increase of bank paper. The amount of coinage at the Philadelphia mint alone from January, 1851, to November last, amounted to forty-six millions one hundred and thirty-nine thousand one hundred and thirty-one dollars, according to the official returns. I have not the December return before me, but the coinage for the three months of the present year, January, February and March, amounts to eleven millions one hundred and one thousand three hundred and ninety-six dollars, being an average of nearly four millions of dollars per month, and the whole coinage thus amounts to nearly fifty-five millions of dollars for the year. For the corresponding three months in 1851, the coinage was better than thirteen millions of dollars and more than four millions of dollars per month.

With gold flowing in upon us at this rate, what do we want with more banks? There is no danger of our being in want of a circulating medium. If we have the commodities to exchange, they will always bring the gold or silver if we desire it. In countries where there is a large metallic circulation, commerce is liable to derangement only from great natural or political causes. The supply of gold and silver as a circulating medium naturally adapts itself to the state of trade in different countries. The plethora produced in prices in this country, by the excess of paper money is the leading cause of the balance of trade (a humbug idea so much deprecated by the Whigs) being against us, and the exportation of the precious metals. We sell to them at their specie standard, and they sell to us at our inflated paper money prices.

And, sir, it is a curious fact when we hear so much about "protection to American industry," that those who cry loudest for protection, are also the most zealous advocates of a paper currency. Do they not see that no protection can avail them, so long as the volume of paper money inflates the prices of every article consumed by the producer of manufactured products? Take the iron master for example.—The high prices of the raw materials and labor which enter into the manufactured article, will not enable him to sell at a price to compete with the foreign manufacturer—and although these prices apply to his manufactured product as well as to the labor and materials employed in its production, yet that inflated price invites importations from abroad, and produces a competition which our manufacturers cannot endure in our own markets. High tariffs and expanded currency go hand in hand, and superinduce the necessity, for each other. The best protection which our manufacturers could enjoy would be a staple, uniform and sound currency—one that did not raise the price of everything they consume to double its real value, when they have to sell at the prices established by the laws of trade and the markets of the world.

No tariff can protect them under such circumstances unless it amounts to an absolute prohibition. And if they had that, then a rush of capital would enter the business which enjoyed this monopoly of sale in American markets, produce over action, and consequent prostration.

Intimately connected with this view of the subject, is another as to the supposed deficiency of a currency, were paper issues curtailed or lessened. I have already stated the large increased production of the precious metals.—They will go wherever they are wanted. The supply of gold and silver conforms to the relations of supply and demand, the same as the demand and supply of any other commodity.—No prohibitions can prevent the precious metals departing from those countries where the amount is beyond what their trade and industry require. No country can be deprived of its just proportion of the precious metals, except by the use of paper as their substitute, unless it be some extraordinary cause, such as war, pestilence or famine, which may ruin the commerce and industry of any nation. No obstacle except spurious money, can prevent the precious metals from flowing into countries where wealth is increasing. The uniform testimony of all sound political economists is this, that there is no instance on record of a nation having arrived at great wealth, without the use of gold and silver money as a currency. Neither is there, on the other hand, any instance of a nation's endeavoring to supplant this natural money, by the use of paper money, without involving itself in distress and embarrassment. Witness the blighting effects of the South Sea paper fraud in England, which although it lasted but a few months, spread devastation and ruin among all classes of her people. Witness the effect of the long suspension of the Bank of England from 1793 to 1821, when many hundred millions were added to their national debt, and the amount of private indebtedness was swelled to a vast amount, ending in wide spread commercial embarrassment. It may be said that was the legitimate effect of the continental wars, to put down Napoleon, in which England was actively engaged during most of that period. But this could not be the real cause, for during that same period, with a steady, unchanging metallic currency, France experienced all the horrors of war, was twice invaded by a foreign army, her capital had been twice taken possession of by the allied forces, and she obliged to pay large sums of money to foreign countries, and yet she escaped serious financial derangement and mercantile distress. But she did not thus pass through the ordeal of Law's scheme, the Mississippi bubble. This rendered her public treasury bankrupt, spread desolation among her princes, nobles and peasants, crushing thousands of private fortunes, and throwing a blight upon the industrial interests of France far worse than war or foreign invasion.

And look at our own history. Look at the provincial paper money, and at the two hundred millions of dollars, as estimated by Jeffer-



son, of continental paper money, which went far to corrupt the morals of the people, destroyed the fortunes of thousands who had most confidence in it, and crippled for a long time the trade, husbandry and manufacturing interests of the country. It was in view of these evils that the framers of the constitution of the United States felt the necessity of inserting that provision which forbids any State to emit bills of credit, pass any law violating the obligations of contracts, or make any thing but gold and silver coin a tender in the payment of debts—and so cautious were they on the subject of the currency, that they forbade the States even to coin money, which would be far less liable to abuse than the power to emit bills of credit.

And look also at the paper money crisis of 1817, '18, '19, '24, '37—and other times of more or less commercial distress in this country since those periods. Bankruptcy became a familiar acquaintance and friend—the riches of to-day were but the precursor of the poverty of to-morrow—fortunes were lost in a day, and despair and alarm were the constant attendants of those who had hitherto nothing but the sunlight of prosperity beaming upon them.

In this State the blighting effects of the over issue of paper money by the banks chartered in 1814, were most strikingly manifested. In the month of June in the year 1821, the sheriff of Bedford county filled two newspaper columns and a half with his advertisements. The sheriff of Berks in the same month offered for sale three thousand acres of land, besides town lots. In August, fifty-seven farms were offered for sale by the sheriff of Westmoreland county; sixty-three pieces of real estate by the sheriff of Northampton—and thirty-seven by the sheriff of Mifflin. In October, the sheriff of Cumberland, my own county, advertised for sale two thousand three hundred and eighty acres of land, besides twelve town lots with handsome improvements. In December of the same year the sheriff of Berks offered for sale the property of forty persons. This was the state of things in only six out of the fifty-two counties, then existing in Pennsylvania—among the oldest and most important ones it is true, but the distress was equal if not greater in the more sparsely settled portions of the Commonwealth.

The effects of this large expansion of paper currency did not stop in 1821-'22, but were felt on up to 1824-'25. In May, 1825, the sheriff of Adams county advertised thirty-three estates for sale. The Juniata Gazette, in July, contained thirty-two advertisements by the sheriff. The sheriff of Fayette county in the month of June, offered for sale one hundred and eighteen tracts of land, containing forty-five thousand acres, or one-eleventh part of the whole county. In the same month, the sheriff of Bedford county offered for sale twenty-three estates, and the sheriff of Westmoreland twenty-six. In December, forty-eight estates, containing together three thousand three hundred and forty-two acres of land, with farm-houses, barns, grist mills and other improvements, belonging to

thirty-one different persons, were offered for sale by the sheriff of Berks county.

By the act of 21st March, 1814, forty-one banking institutions were chartered, thirty-seven of which went into operation, and the banking capital of the State was increased about seventeen millions of dollars. Yet the circulation of the country banks at the period of the greatest inflation, in 1815, was only five millions three hundred and forty-nine thousand two hundred and forty-seven dollars, and that of the city banks was four millions eight hundred and ten thousand five hundred and seven dollars, making in all ten millions one hundred and fifty-nine thousand seven hundred and fifty-four dollars—being one million seven hundred and seventy-three thousand seven hundred and two dollars less than the circulation of the banks at the present time according to the recent report of the Auditor General. The circulation of the banks fell from more than ten millions in 1815 to three millions twenty-nine thousand three hundred and twenty-five dollars in 1819—one million three hundred and eighty-four thousand dollars for the country, and one million six hundred and forty-five thousand dollars for the city. In this estimate of the circulation in 1815-'19, the bank of North America is not included, as I could find no returns from that bank for those periods.

It is now proposed to increase the banking capital of the State more than twenty-one millions of dollars, according to the applications on the files of the two Houses, and those advertised in the newspapers, and, of course, a proportionate increase of paper circulation.—We have seen the effects of the expansion of the paper medium in 1815, and its contraction in 1819. I may mention also that the Bank of the United States reduced its circulation in 1818, throughout the entire country, better than seven millions of dollars. This contraction of the currency was the necessary consequence of the expansion—the necessary operations of the system when unduly stimulated by an increase of banking capital, which superinduces necessarily an increase of paper circulation.

Do we wish, therefore, the scenes of 1821, and before and after that period, enacted over again, on a still larger scale, and with still more disastrous effects? I look upon an increase of banking capital at this time, connected as it would be with the present railroad mania, and subscriptions of stock to such roads by municipal and other corporations, as building up such a stupendous system of credit, such a net work, such a concatenation of sheer promises, as has never before existed in this State, and the effects of which would be more disastrous than any heretofore experienced.

Are we the men who are to be the willing instruments of inflicting upon the people of this State what must end in widespread ruin? Are there no lessons of wisdom in the past?—or must we forget our duty to ourselves, our constituents, and our country, and listen only to the interested representations of those who



wish to enrich themselves, though this may seriously cripple or destroy the permanent prosperity of the Commonwealth? Let us show that we are acting for the mass of the people, instead of being the representatives of a few stock jobbers and bankers, scattered throughout the State. Let us feel the responsibility of our position, and that the powers conferred upon us by the people shall not be wielded for their injury. Let us be true to those who sent us here, relying upon our integrity to do them no evil, if they did not expect us to do them much good.

I have thus, sir, glanced at the natural and legitimate fruits of the paper money system.—Why, then, shall we enlarge its boundaries, and increase its power in Pennsylvania? What a glorious epoch it would be for this good old Commonwealth if her Legislature could meet and adjourn without chartering a single bank!

“Before the establishment of banks in the interior,” say a committee of the Senate of Pennsylvania in 1821, (of which committee that stern Democrat, Condé Raguet, was chairman,) in their report on the renewal of bank charters, “the farmer, who possessed credit and character, experienced little difficulty in borrowing, on his simple bond, for one or more years, any sum which it was thought could be prudently loaned to him. Embarrassments and failures, in those days, were scarcely known among our husbandmen, and society moved on by a regular, sure, and happy march. In our cities, on the contrary, where loans have been chiefly made by incorporated banks, we have seen a continued succession of bankruptcies, and had it not been for the practice so universally prevalent among merchants of securing the banks for the sake of indorsers, banking long since would have been abandoned as an unprofitable trade.”—[Senate Journal 1820-'21, page 259.]

I may remark in this connexion, sir, that banking institutions are only adapted and designed for trading and commercial communities. The history of this Commonwealth shows most conclusively that wherever banks have been chartered in agricultural and rural districts, they have inflicted much more evil upon the community than they have done good. There is not the business which requires the kind of loans and accommodations in thinly settled and agricultural regions, which banks must give in their legitimate banking operations. Hence they are tempted to loan to those who ought not to borrow, for they have no business in which capital can be employed profitably.—Hence young men and others are tempted to borrow and get their friends to endorse for them to engage in doubtful projects of speculation—and many a bank established in the interior of Pennsylvania under such circumstances has become bankrupt itself, and spread ruin in the whole neighborhood in which it was located; and many a man in affluent circumstances has been turned out of house and home with a helpless and dependent family, because he was so unfortunate as that there should be a banking

institution established in the little town in which his lot had been cast. I affirm, sir, that banks do far more harm than good in agricultural sections of the country and among an agricultural people. This is the experience of the past.

“From the adoption of the federal constitution in 1788 down to 1804,” says a writer in the *Richmond Inquirer*, “banks were unknown in Virginia, with the exception of a branch of the old United States Bank in Norfolk, about 1799 or 1800. The paper of this bank scarcely found its way into the interior of the country; and it may be truly said, the currency of the country was metallic. Until the year 1798 no people enjoyed more happiness or prosperity than the people of the United States—nor did any country ever flourish more within this space of time. The desk of every agriculturalist in Virginia had some gold or silver to spare if he was a prudent, industrious man. \* \* \* The currency of the country being specie was widely scattered through the land, and in diversified hands, so that its concentration at any particular point, was impossible, and consequently its removal from the country could not happen to any great extent.

“I know there are many who, in order to effect present objects, insist that commerce could not be carried on without the aid of banks. To this I answer, how was commerce carried on before we had banks? Will any body deny there was any commerce in this country at that time? None will be found hardy enough to take this ground, for every intelligent man of forty years knows that before there were any banks in Virginia, the foreign commerce of the State was greater than it has ever been since, and our citizens far more prosperous. Nor was there the least inconvenience in transmitting money from one point to another through the merchants, whose credit *then* was as good as the credit of the banks now, if not better. Banks have destroyed the credit and confidence which men had in one another.

“No people had more cause to rejoice than the people of Virginia; but alas, the banks came, and all things became changed. Like the Upas tree, they have withered and destroyed the healthful condition of the country, and inflicted on the people political and pecuniary disease of the most deadly character.”

As Pennsylvanians we can clasp the hand of this Virginian and exclaim, “Well said brother!”

Mr. Speaker, I have given this subject a most anxious and laborious consideration, and nothing but a high sense of duty to the Democracy of the State, and the principles of the Democratic party, which as Democrats understanding our position we must ever revere, compels me to say, so far as my voice is concerned, that I for one cannot consent to any further increase of the banking capital of the State. I say so with the more reluctance, as there is an application pending from my own county for banking privileges, in which some of my personal and political friends are interested. But as the represen-



tatives of the people, sent here to guard their interests, we would be betraying our trust to desert them in their hour of peril.

The celebrated John Randolph of Roanoke, in the debate on the charter of the National Bank, in 1816, to which I have already referred, said most truly, "It was unpleasant to put one's self in array against a great leading interest in the community; be they a knot of land speculators, paper jobbers, or what not; but every man you meet in this House or out of it, with some rare exceptions, which served only to prove the general rule, was either a stockholder, president, cashier, clerk or door-keeper, runner, engraver, paper-maker or mechanic in some way or other to a bank."

One would suppose that the distinguished gentleman had some time or other in his eventful life been a member of the Legislature of Pennsylvania, judging from the fullness and scope of his experience.

I deem it my duty before I yield the floor, to add one word in relation to the growing evil in this country, of granting charters and special privileges for almost every conceivable purpose. Granting bank charters has given a vitiated taste in relation to charters for other purposes. It is the bane of our legislation. It is not legislation for the mass of the people, but legislation to deprive the mass of the people of their just rights, and to confer them upon a favored few. It is very appropriately called special legislation—private legislation. By granting charters to an immense number of corporations to carry into effect the common purposes of life, you detach from the independence and just importance of the individual citizen, and give an advantage to associated wealth, in the hands of heartless artificial bodies, whose whole existence depends upon a figment of law, the breath of the law-making power. You thus place, in this republican country, the independent citizen, the true representative of your institutions, in a subordinate position in many of the pursuits of life, to these artificial, soulless persons, whose every action and tendency are contrary to the spirit of those institutions, and of a Democratic form of government.

By means of the log-rolling system, so well understood in legislative tactics, the special, stock-jobbing interests combine and control our legislative action, and sometimes without our even being cognizant of the fact. The third house is frequently stronger than the other two. "The power behind the throne is greater than the throne itself." There are evidences of a combination now on the subject of chartering this host of banks, for which purpose we are especially assembled at this time by a special order of the day—and it is a forgone conclusion, sir, that all these bank bills are to pass—but there is another ordeal for them to pass before they will be inflicted upon the people.

To look over our acts of Assembly one would suppose that our government had been established for the special benefit of stock-jobbers and speculators. It is so in nearly all the States

and it is a crying evil—an evil that calls from the ground like the blood of Abel for redress.

In 1826, the Governor of Massachusetts declared that within the preceding five years charters had been granted to corporations within that Commonwealth, with authority to hold thirty millions of property. This was exclusive of charters to banking, insurance, canal and railroad companies. The Governor of Massachusetts might tell a worse tale than that at this period. That State is literally plastered over with charters. There, corporations and corporation influence constitute the government.—They are no longer the creatures of the government, but the government has become their creature. There, a man is nobody unless he is president or controlling director of some mammoth corporation. It is so in all New England, with perhaps the exception of New Hampshire and Maine. The people of New England have charters for spinning cotton, making peg shoes, and I don't know but they may have for making wooden hams and nutmegs. During the Kossuth excitement here I was waited on by a gentleman direct from Boston, who had brought a lot of Kossuth flags for sale, and with which he intended to accompany the distinguished Hungarian on his entire tour through the western country. I presume he had a charter for their manufacture, and perhaps a patent right for their exclusive sale.

The Governor of Delaware stated in his official message in 1825, that there were then eighty corporations in that small State. I would have compassion on the man who would attempt to count them in Pennsylvania—and their number is comparatively small, and their power comparatively feeble, to what they might have been had not Gov. Shunk done much to arrest this species of legislation. But as it is, it is a vast evil in the legislation of this State; and it is an evil, that I see no hope of remedying, except by constitutional provision. In some States they are beginning to apply this remedy. It is a matter of serious consideration with the people of Pennsylvania, whether they ought not to provide some means for the abatement of this legislative nuisance. Biennial sessions might do something towards it, but positive constitutional prohibition, I am firmly convinced, would be the only effectual remedy.

The large increase of banking institutions and other corporations, creates an artificial state of society, reverses the natural order of things, and destroys all true and manly independence. In our large cities the power of bank directors is little less than that of petty German Princes; and the necessity of persons in embarrassed circumstances, or largely engaged in commercial transactions, requiring, under our extended credit system, large accommodations from banks courting the good will of the managers of these institutions, is humiliating in the extreme. A nod from Nicholas Biddle in the days of his money power was considered a most fortunate circumstance, a great favor, by those merchants, who were from the force of circumstances his



obsequious slaves. "The servile dependence on banks, in which many citizens pass their lives," was observed by Matthew Carey as long ago as the year 1811. Is such a system worthy of being spread, and its power increased, among the people of a free State? You, gentlemen, are the judges. With you rests the responsibility.

On the subject of the power of the banks, Mr. Randolph in the same debate, to which I before alluded, thus expressed himself.

"The gentleman from Pennsylvania might dismiss his fears for the State banks, with their one hundred and seventy millions of paper on eighty-two millions of capital. However great the evil of their conduct might be, who was to bell the cat?—who was to take the bull by the horns?"

The expression, Mr. Speaker, of our old friend William Beatty, would seem from this not to have been original.

Mr. Randolph continues: "You might as well attack Gibraltar with a pocket-pistol, as to attempt to punish them \* \*. We are tied hand and foot, and bound to conciliate this grand mammoth, which is set up to worship in this Christian land; we are bound to propitiate it. Thus whilst our government denounces hierarchy; will permit no privileged order for conducting the service of the true God; whilst it denounces nobility, &c., has a privileged order of new men grown up, the pressure of whose foot he at this moment felt on his neck. But he said a man might as well go to Constantinople to preach Christianity, as to get up here and preach against banks."

I am afraid, sir, that it is about the position of a member on this floor, who attempts to do what Mr. Randolph acknowledged to be utterly impracticable in Congress at the period when he thus spoke.

Again. "He declared himself the holder of no stock except live stock, and had determined never to own any; but, if this bill passed, he would not only be a stockholder to the utmost of his power, but would advise every man, over whom he had any influence to do the same, because it was the erection of a great privileged order of the most hateful kind to his feelings, and because he would rather be the master than the slave. If he must have a master let him be one with epauletts—something that he could fear and respect, something that he could look up to—but not a master with a quill behind his ear."

A writer in *Niles' Register*, under date of November 7th, 1818, thus forcibly expresses his views of this dangerous system of banking and its mysterious power. By it, he says, "an unknown and irresistible aristocracy would be raised up, secret as the 'Council of Ten' and remorseless as the 'Holy Inquisition.' Give me to live under any despotism, but that which springs from the command of money; for it is the most base and unprincipled of all."

A committee of the Senate of Pennsylvania appointed to inquire into the cause and extent

of the public distress, made a report on the 29th of January, 1820, in which among other things they say: "The cause is to be found chiefly in the abuses of the banking system, which abuses consist, *first*, in the excessive number of banks, and, *secondly*, in their universal bad administration. For the first of these abuses the people have to reproach themselves, for having urged the Legislature to depart from that truly republican doctrine, which influenced the deliberations of our early assemblies, and which taught that *the incorporation of the monied interest already sufficiently powerful in itself, was but the creation of an odious aristocracy, hostile to the spirit of free government, and subversive of the rights of the people.*" Senate Journal, 1819-20, page 223.

It will be recollected that the Legislature had in 1814, chartered *forty-one* new banks, with a capital of seventeen and a half millions of dollars and the consequent authority to issue bank notes to double that amount. It was of the "public distress" produced by this legislation, that the Senate committee was appointed at the session of 1819-20, to inquire into "the causes and extent."

The moral effects of the system are perhaps the most objectionable features belonging to it. It renders the dealings of men uncertain, and produces of necessity a laxity of that strict integrity which should mark the transactions between man and man. It has a tendency to compound the greatest misfortunes with the most stupendous frauds. It makes men rockless of consequences, and induces them to run any risk, since all mercantile affairs, by reason of the fluctuations of the system, have become in some measure a game of chance. A bankruptcy in olden times produced as much distress and mourning in a family as a funeral. The house would be closed for days, and all its inmates be borne down with the deepest affliction. A gloom would sometimes settle down on a whole family, from which they would never recover. Now, in many cases, a failure in business but increases the resources. wealth, arrogance and display of the bankrupt. He merely fails to get rid of importunity, and secrete his means of payment from his honest creditors. There must be something radically wrong in the body politic, when such events are of almost daily occurrence in our large cities, and when the public sense of propriety has become so blunted, that such a state of things is looked upon with apparent indifference. The moral sense of the community is deadened by some poisonous canker worm, which is preying upon its vitals. There is some moral leprosy abroad in the land—a miasma, fatal as the plague, which fills the atmosphere and spreads broadcast the seeds of moral death and ruin.

I cannot better express what I mean, than by again quoting from Mr. Randolph's celebrated speech in Congress. He always spoke great truths, and he always spoke them in a way peculiar to himself. He said:

"The evil of the times was a spirit engender-



ed in this republic fatal to republican principles—fatal to republican virtue: a spirit to live by any means but those of honest industry; a spirit of profusion; in other words, the spirit of Cataline himself—*alieni avidus sui profusus*—a spirit of expediency, not in public but in private life; the system of Didler in the farce—living any way and well; wearing an expensive coat and drinking the finest wines at any body's expense. If we wish to transmit our institutions unimpaired to posterity, we must put bounds to the spirit which seeks wealth by every path but the plain and regular path of honest industry and honest fame."

On this subject, sir, I have collected some facts which fully sustain the assertions of Mr. Randolph.

A merchant tailor failed in what was then the little town of York, in this State, in 1819, for the sum of eighty-four thousand dollars. If that were so in the country, what transpired in the large cities?

In Niles' Register, under date of June 5th of that year, I find the following:

"So extensive were the failures among the merchants east of Baltimore, that it seemed to be disreputable to stop payment for less than one hundred thousand dollars; the *fashionable* amount was from two to three hundred thousand dollars; and the tip-top quality, the support of whose families had cost them from eight to twelve thousand dollars a year, were honored with an amount of debt exceeding five hundred thousand, and nearly as much as a million of dollars. The prodigality and waste of some of these were almost beyond belief: we have heard that the furniture of a single parlor possessed (we cannot say belonging to) by one of them, cost forty thousand dollars. So it was in all the great cities—dash, dash, dash—venders of tape and bobbins transformed into persons of *high blood*, and the sons of respectable citizens converted into knaves of *rank*—through speculation, and the facilities of the abominable paper system."

A writer in the same paper, under date of June 12th, the same year, says: "I am told that one merchant, who lately failed to the eastward, yet lives in a house for which and its furniture, he was offered two hundred thousand dollars in real money, and refused it." \* \* \* "A pipe of wine, or a Cashmere shawl compels some merchants to stop payment! I have heard of one man who failed for more than five hundred thousand dollars, whose private wine vault, as it stood at the time of his bankruptcy, was estimated to have cost him seven thousand dollars. This is said to have happened in the sober city of Philadelphia."

Again, under date of August 14th, he says: "Twenty or thirty years ago, if a man failed for one hundred thousand dollars, the people talked about it, as about that time the old women did of the fulfilment of Love's prophecy, who had determined that the world should come to an end before the close of the last century. But now, through the blessings of the paper

system, the facilities which it afforded, and the speculations it nourished, it is not *decent* for a man to break for less than one hundred thousand dollars; and if a person would be thought a *respectable bankrupt* he ought to owe two or three hundred thousand or more. If with this extent of credit it should appear that he had not been worth one cent for twenty years, and was not entitled to be trusted for a pair of shoes, so much the better!—it is evidence of his qualities as a *financier*. And if, out of other peoples' money, he has given his wife fifty or sixty thousand dollars, it shows his *prudence* in providing for his family."

The failures of recent date are frequently about five hundred thousand dollars, and all the abuses incident to the system have been as rife within the recollection of all of us, as those so graphically described in 1819. Will the American people, will the people of Pennsylvania, never learn wisdom by these sad and melancholy lessons?

I can only say, sir, in conclusion, that we have arrived at a crisis in the monetary affairs of the State of Pennsylvania. We have two courses to pursue—the one, the course of temporary expediency and doubtful political integrity—the other, the plain path of principle and sound and solemn experience. The people of the State are watching us with intense anxiety. Their suspicions have become excited, and their fears are alarmed lest we plunge them into the yawning financial gulf, from which the wisdom of Simon Snyder, in days gone by, in vain attempted to guard them. The mass of the people of the State, the great agricultural class of the community, will feel relieved, "will breathe deeper and freer," as Daniel Webster once said over the result of a New York election—when they learn that this Legislature has adjourned without inflicting some direful calamity upon them and the Commonwealth. The signs of the times are ominous of evil, and of evil only, if the batch of bank bills now pending before this Legislature, should assume the form of legal enactments. We would be thus enacting that all experience is a fraud, and all history is a lie.

"Let the Americans," said William Pitt, "adopt their funding system, and go into their banking institutions, and their boasted independence will be a mere phantom."

The problem is not yet solved, whether the prediction of this great statesman will not be verified, if the influence of the banking and monied aristocracies is to preponderate in our legislative halls. I fear our independence is not likely to be one that makes us independent of bank influence and the money power of the country. Let us as Americans and Pennsylvanians, adopt a system of legislation which will not render our independence "a mere phantom," but one that will make us free indeed—and posterity will thank the people of this generation for transmitting to them their liberties unimpaired.

I am under obligations to the House for the



patience and attention with which they have listened to this tedious exposition of my views on this important subject. I have submitted them, sir, from no disrespect to the opinions of others, but from a full conviction of their truth and practicability. The House and the country can take them for what they may be worth. I have followed no dim light on this question.—

The wanderings of genius are uncertain—erratic—though they sometimes emerge in the bright blue of the pure heavens—but I have followed no such light. I have followed, in this discussion, the plain path marked out by those who have calculated their way by facts and figures—and to these I claim the attention of the people of this Commonwealth.



## VETO MESSAGE.

*To the Senate and House of Representatives of the Commonwealth of Pennsylvania:*

GENTLEMEN:—Bill No. 590, on the files of the Senate, entitled "An Act to incorporate the Meadville Bank," with a capital of \$100,000, has been presented for my consideration, together with others, providing for the establishment of sundry new banks, to be located as follows, to wit: one at Pittsburg, with a capital of \$300,000, another at Allentown, Lehigh county, with a capital of \$150,000, another at Erie, with a capital of \$150,000, another at Carlisle, with a capital of \$100,000, another at New Castle, Lawrence county, with a capital of \$100,000, another at Tamaqua, Schuylkill county, with a capital of \$100,000, another at Mauch Chunk, Carbon county, with a capital of \$100,000, another at Phoenixville, Chester county, with a capital of \$200,000, another at Monongahela city, Washington county, with a capital of \$100,000, also, another, to add \$150,000 to the capital stock of the Southwark Bank, in the county of Philadelphia.

Since the General Assembly has thus indicated to me their views on the subject of increasing the banking capital of the State, I have given the question, in all its bearings, my most anxious consideration—have contemplated the probable effects of this proposed measure upon the interests of the whole people of the State—upon the laborer, mechanic, farmer, merchant, and manufacturer, and bringing to the aid of my judgement, the lights furnished by the past experience of the country, I have arrived at the conclusion that it is my solemn duty, however unpleasant, to differ with you on this subject. To dissent from the wishes of the representatives of the people, on a question of public policy, is painful to me in the extreme, but to shrink from the responsibility of performing a conscientious duty, would be cowardly and criminal.

In returning so large a number of the bank bills, without my sanction, for the reconsideration of the General Assembly, I deem it right that I should present my reasons for so doing at length, in one message, and have reference to this as applicable to these measures severally.

On assuming the duties of the Executive office, I distinctly announced, "that, in my opinion, no pretext can justify the creation of a superabundant amount of paper money, and that it was with painful alarm I have witnessed a growing disposition in the entire country to increase the use of this medium on a small

specie basis, regardless of the inevitable effects of the large accessions of coin which California is furnishing to this country and to the world. Every people should have a circulating medium as a matter of convenience, and should have whatever amount the transaction of wholesome business affairs may demand; but unfortunately we are too unwilling to stop at the proper point in the creation of this medium. That as coin becomes abundant it should supplant and render unnecessary the use of paper, is to my mind, the plainest teaching of common sense. Such practical effect is demanded by the true interests of the people."

The sentiments thus announced, I have long entertained, and their correctness is the more confirmed by every day's experience and reflection. I should, by assenting to these bills, agree practically to reverse this doctrine and maintain that as coin becomes abundant, the paper medium should be increased. This position would be so manifestly unsound that argument is not necessary to refute it.

The proposed new banks would add to the present banking capital of the State an aggregate sum of \$1,550,000, or over ten per cent. on the active capital now in use, and thus swell the present amount of our paper circulation to the extent of four or five millions.

Whilst I am not prepared to say, that at the proper time, a bank might not be useful, if properly managed, at some of the points named, I have had no difficulty whatever in satisfying my mind that there is, at this time, no real necessity for such an extensive increase of paper money, nor that if such increase were permitted, the effect would be prejudicial to the true interests of the mass of people, and that it would exercise a demoralizing influence upon the business affairs of the State. The immediate effect would be, I have no doubt, to enhance the nominal prices of all kinds of goods and property, by the depreciation of bank paper, stimulating thereby a spirit of wild and fanciful speculation, begetting prodigality and idleness, the legitimate fruits of an inflated currency. All violent movements on this subject are unwise and especially injurious to the unwary citizen. Experience has demonstrated that all sudden expansions and contractions of a paper currency, exercise a prejudicial influence on the real prosperity of the country. Such sudden convulsions, it is true, are sometimes turned to the advantage of the shrewd capitalists, but the unsuspecting farmer or mechanic, enticed from his



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MESSAGE  
OF  
GOVERNOR BIGLER  
RETURNING BILL NO. 590,  
WITH HIS OBJECTIONS.

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# GOVERNMENT RIGHTS

WITH THE OFFICE



## Message of the Governor returning bill No. 590, with his objections.

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The proposed new banks would add to the present banking capital of the State, an aggregate sum of about \$1,550,000, or over ten per cent. on the active capital now in use, and thus swell the present amount of our paper circulation to the extent of four or five millions. Whilst I am not prepared to say, that at the proper time a bank might not be useful, if properly managed, at some of the points named, I have had no difficulty whatever, in satisfying my mind that there is, at this time, no real necessity for such an extensive increase of paper money, nor that, if such increase were permitted, the effect would be prejudicial to the true interests of the mass of the people, and that it would exercise a demoralizing influence upon the business affairs of the State. The immediate effect would be, I have no doubt, to enhance the nominal prices of all kinds of goods and property, by the depreciation of bank paper, stimulating thereby a spirit of wild and fanciful speculation, begetting prodigality and idleness, the legitimate fruits of an inflated currency. All violent movements on this subject are unwise, and especially injurious to the unwary citizen. Experience has demonstrated, that all sudden expansions and contractions of a paper currency, exercise a prejudicial influence on the real prosperity of the country. Such sudden convulsions, it is true, are sometimes turned to the advantage of the shrewd capitalists, but the unsuspecting farmer or mechanic, enticed from his safe pursuit by the fair promises of the expansion, is crushed in his new experiment by the violence of the contraction.

If it be true that "experience teaches wisdom," and none will doubt this, the people of Pennsylvania should be wise on this subject, and a mere reference to that experience, it seems to me, should be sufficient to awaken them to the danger of the measure in question.

The consequences of a similar policy adopted in 1814, regardless of the admonitions of the sagacious and patriotic Snyder, are still remembered by some who participated in the scenes of those days, and are known to all of us as a dark page in the history of the State. Let no man flatter himself with the belief, that the same cause will not produce the same effect in the future, that it has done in the past. The country, it is true, is now inhabited by a new generation, but the nature of man has undergone no change since the days of Snyder—his impulses and objects are the same, and the laws of trade remain unaltered; and assuredly, if we rush into the errors of that day, we may justly anticipate a similar retribution. Nor is this the only practical demonstration of the danger of the proposed policy to be found in our history. Who does not remember something of the condition of affairs that existed through the whole extent of our vast country, during the years of 1834, 35, and 36? Who has forgotten the warning voice of the patriotic Jackson, admonishing the people against the consequences of an inflated currency, and an unrestrained system of credit, which then pervaded all business circles, and affected deeply domestic arrangements? But his warning was not heeded, until it was too late to arrest the evil. The great bank expansion of that period, engendered a spirit of desperate speculation, and habits of prodigality, which distinguished alike the career of States, corporations, and individuals. And who can contemplate, without regret and shame, the disgrace and misery which followed as the legitimate consequence? The imaginary fortunes of individuals were dispelled as fog before the rising sun, and the meshes of the speculator were rent asunder as cobwebs before the torrent of revulsion that ensued. States, corporations, and individuals were prostrated beneath its weight—their plighted faith became a by-word and scoff, and their credit was hawked about in the market, and offered for a mere fraction of its nominal value. Whilst the unwary citizen, who had been misled by this artificial state of affairs, including widows and orphans, whose means, under the force of the delusion, had been invested in schemes purely speculative, found themselves thrown houseless and penniless upon the charity of the public. Nor is this all. The effect of extending the banking capital of this State in 1836, by the charter of the United States and other banks, from a little over fourteen, to exceeding fifty-eight millions, and its sudden reduction, in a few years afterwards, to an active capital of less than thirteen millions, was scarcely less disastrous. The consequences to our State credit—to the



trade and commerce of our metropolis—to the interests of all classes of our people—and to the honor of the Commonwealth abroad, are topics too unpleasant to be discussed at this day, and I only allude to them, as so many admonitions against the tendency of the effort now making, to increase the amount of banking capital, evidently calculated to produce a somewhat similar state of affairs.

These expansions are delusive and unprofitable, and, as shown by their past history, clearly inimical to the rights and interests of labor. From an able report made to Congress on this subject in 1840, I have gathered some very interesting facts, which speak a language that cannot be misunderstood. They are to the effect, that from 1834 to 1836 the increase of paper currency in the United States was near 48 per cent.—that the advance in the price of that kind of real estate which was constantly in the market, was over one hundred per cent., in stocks, real and fancy, about one hundred and twenty per cent., in flour, pork, corn, &c., about sixty per cent., and in the price of labor, the source of all real wealth, but a little over sixteen per cent. But not so when the contraction comes, for then labor bears the first shock, and depreciates most severely. In every view, therefore, is a fluctuating currency, prejudicial to the interests of the laborer. Labor is the last thing to rise in price, and does so least with an inflation of the currency, but suffers first and most severely under the contraction. Besides, during the times of such inflation, the laborer is forced to receive his wages at the standard price of a sound currency in that which is depreciated, and purchase his necessities at the high prices consequent upon such depression. Such expansions, in addition, are adverse to the real prosperity of the country, and retard rather than advance it. The artificial growth produced by the expansion, is more than counteracted by the paralyzing influence of the contraction, and the aggregate prosperity is less than it would be were the country left to its steady natural advance.

But how clearly impoverishing is the effect of an inflated currency upon all our State and National interests, now closely pressed by foreign competition. It virtually opens our ports to invite such rivalry against all these pursuits, and no rate of Tariff that the wisdom of Congress can devise, within any reasonable limit, can counteract its influences. It greatly enhances the nominal prices of goods and commodities in this above what they will bear in other countries, whilst, at the same time, it retards rather than facilitates their production. It thus gives the foreign producer the opportunity of manufacturing at the low rates of his own country, and selling at the inflated prices of our's, for he receives his pay, not in our depreciated paper, but in gold and silver. It is this state of the currency, more than any other feature in the policy of this country, that enables the foreign manufacturer to compete, if not undersell, the American producer in our own markets.

But where is the evidence that so large an increase of the banking capital is required? And why authorize such an increase all at one time? During the official service of my last two predecessors, covering a period of nine years, but four new banks of issue were created, and when has Pennsylvania been more prosperous than during that time? When, since first burthened by her heavy debt, did her credit stand higher? And when did the labor of her citizens reap a better reward? She has, during the whole time, stood erect, maintained her faith, and, by the proper exercise of her own inherent elements of wealth, has been steadily extricating herself from the embarrassments brought upon her by a spirit of prodigality, transfused throughout the whole country, as the consequence of the expansions of paper money, to which I have already referred.

There is now near nineteen millions of banking capital in the State, of which about four and a half millions of dollars are invested in stocks, bonds, &c., a business not necessarily connected with banking, nor contemplated in the creation of banks. This fact furnishes some evidence, that at times there had been more banking capital than the legitimate business of these institutions seemed to require, and certainly there is nothing in the present condition of the country, to justify so large an accession to our paper medium.

The present period is one distinguished for the great abundance of coin. The mines of California and Australia have recently been contributing to swell inordi-



nately, the usual supply which other parts of the world still continue unabatedly to furnish. Money is unusually plenty in this country, and has not been so much so, nor so cheap in Europe for many years. The Bank of England now contains the enormous sum of near ninety millions of gold and silver, whilst in France and Holland there is an evident excess above the demands of business. In the United States we have a full supply, which is now being rapidly augmented by new receipts. These receipts, as I learn from reliable, though unofficial sources, by importation and coinage for the months of January, February, and March, amounted to over thirteen millions and a half, leaving in this country, after deducting all exports of specie for the same period, a balance of near seven millions of dollars. This ratio of increase would soon double and treble the whole capital of the country. And it is worthy of remark that this great increase of gold coinage is beginning to awaken the inquiry, as to what is to be the effect upon this great standard of value as compared with other coins or circulating mediums.

The effect of this superabundance of money on the business affairs of the country is already being made manifest. The signs of the times, it seems to me, indicate very clearly that we are approaching a period of more than natural prosperity resulting from the excess of money. The mania which prevails for all kinds of business, and projects of improvements which require the investment of large sums of money, is the evidence of such tendency in our monetary affairs. If then we are to take counsel from the past and the indications of the present, we must believe that this abundance of currency will of itself produce an inflation of prices and lead to speculation and prodigality. But such artificial prosperity will be of short duration. The re-action will as certainly come as that the sun will continue to rise in the East and set in the West; and unfortunately when it does come the innocent and unwary who have made least in this game, are forced to suffer most. Is it wise then, in full view of such unmistakeable indications to hasten this state of affairs and aggravate the evil by an improvident increase of paper money? Shall we so far forget the severe lessons which have been heretofore inflicted upon this noble State? I trust not. I do not say that it may not be proper at some future time to charter new banks at some of the points in the State where it is now proposed to locate them, but I most sincerely believe, and I express this belief with the utmost deference to the views of the General Assembly, that the present is not a propitious period for an increase of banking capital. Let us first see what is to be the effect of the increase of gold coinage and the abundance of money, to which I have already alluded. It is prudent, at least, to remain on the safe side of this question. There is no danger of the real prosperity of the State being retarded for the want of paper money; and I have never known the people to suffer from such cause. Our currency is now as sound as at any other period in the history of the Commonwealth, and her prosperity and growth resulting from the energy, industry, and enterprise of her people equal to that of any of her sister States. Artificial means to improve this condition might readily produce the reverse result.

I think the aggregate banking capital of the State large enough, and that of the whole country too large—much too large for the welfare of those pursuits closely pressed by foreign competition. But the great monetary movements which at this time would seem wise and necessary, is not within the control of a single State. If it were so, I have no hesitation in saying that I should not, during my official career, sanction the charter or re-charter of any bank. It should be my purpose to reduce rather than increase the paper circulation. But a single member of this confederacy can do but little more than show a good example, and invite imitation on the part of sister States. Situated as we are, therefore, we can only make the best of circumstances which surround us—restrain the evil and promote the good so far as the influence of the State can do this.

I have not been insensible to the force of the reasoning in favor of establishing banks, in particular localities, as a medium through which to conduct heavy business. Localities need what are called banking facilities, that are now without such transactions, and I should not object to institutions for this purpose, with all the attributes of a bank, except the right to create paper money. It is urged, also, that cer-



accommodations, and that some or all of these bills are only intended to afford to such places that which has been already extended to others. I am free to admit, that there are localities thus situated, and that it is intended by the bills in question to supply some of these, and were it practicable to afford to them these facilities, without increasing the present amount of paper money, or, in other words, if this end could be accomplished by taking from localities that now, manifestly, have too much, the evils of an increase of banking capital which I have suggested could not apply. But it cannot, to my mind, be justified, that any inconvenience suffered by certain localities should be regarded as paramount to the important considerations that seem clearly, at this time, to weigh against any increase of the paper medium of the State. This complaint may be gradually set at rest hereafter, should the considerations against an increase of capital continue, by refusing to re-charter banks in localities where there is an excess of such facilities, and distributing them in other quarters. But in this the utmost care will be necessary, for we have learned by sad experience, that it is a dangerous policy to locate these institutions in a region of country greatly deficient in capital. I need not call to mind the numerous instances in which banks, thus located, have misled the business community by their promises to pay without a dollar in their vaults, and then exploded, to the vast injury of the people. They are so many arguments to sustain the truthfulness of this position, and nothing but my unwillingness to excite unpleasant recollections, restrains me from pointing out the particulars of some of these occurrences. But I trust they may not, on that account, escape your reflection. A bank created for the use only of these who desire to become borrowers, will not answer. The mere corporate franchises cannot give it all the elements of a good bank—the patrons of such an institution must put money into its vaults before they can draw any out. In other language, if a particular locality be poor, it will not be made rich by the possession of a bank possessing no better qualities than the right to make paper money. There must be not only a necessity for such an institution, but legitimate business and wealth in such locality to sustain it, or the probabilities are that the result will be disastrous. It is not always a good argument in favor of locating a bank at a given point, to say that it is difficult to get money at such place. That may be the very reason why public interest and safety would forbid such location. Besides, it is to this difficulty, to a great extent, that this commodity is indebted for its value. I am quite sure, that if it were made sufficiently abundant to answer the views of some political economists, it would neither be valuable or useful. The advantages resulting to the particular localities in which these institutions are found, are, as a general principle, greatly overrated. I can bring to review in my mind a vast district of the State, embracing some eighteen contiguous counties, all flourishing and prosperous, in which there is not to be found a single bank of issue, and yet I do not see that these are less prosperous than counties favored with many banks. A number of the counties within the range to which I refer, were, at one time, favored with banks, but these institutions have failed and gone out of existence; and I cannot perceive that such counties are less flourishing than they were when their respective banks were in full operation. This seclusion from banks, it should be remembered, is not without its advantages. The people of such region are, perhaps, fully rewarded for what they suffer in inconvenience, by the protection they thus enjoy from the force of commercial revulsions. What they lose at a time of bank expansion, is more than made good to them by their escape from the full force of the contraction. A little reflection on the occurrences during the periods to which I have repeatedly made reference, will satisfy any one that this is no mere fanciful idea, but a clear practical truth.

I have thus, gentlemen, performed what I regard as an imperative duty. Should subsequent events demonstrate that I have erred, I shall at least have the consolation to know that such error is of the head, and not of the heart.

WM. BIGLER.

EXECUTIVE CHAMBER, }  
Harrisburg, April 20, 1852. }



## Message of the Governor returning certain bank bills.

*To the House of Representatives:*

**GENTLEMEN:—**I herewith return to the House of Representatives, in which they originated, without my approval, the following bills, viz.:

No. 99, entitled "An Act to authorize the incorporation of the Mauch Chunk Bank."

No. 165, entitled "An Act to incorporate the Valley Bank of Monongahela."

My reasons for returning these bills without my approval are set forth somewhat at length in my message, of this date, to the Senate and House of Representatives, upon returning to the Senate Bill No. 590, entitled "An Act to incorporate the Meadville Bank," to which I beg most respectfully to refer you.

WM. BIGLER.

EXECUTIVE CHAMBER,  
Harrisburg, April 20th, 1852. }